

April 27, 2015

Mr. Gerard Poliquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

RE: Risk-Based Capital Proposed Rule  
RIN 3133-AD77

Dear Mr. Poliquin,

I am writing to you regarding the NCUA risk-based capital proposal. I appreciate the opportunity to provide my opinions and concerns with the proposal as written. My primary concern revolves around the need for such regulation, and I have outlined my reasoning in detail below.

### **Unnecessary Regulation**

There is no clear basis for disregarding the current prompt corrective action (PCA) regulations and adopting a completely different model. There were no issues identified as part of the NCUA's most recent review of the regulation performed as part of the NCUA's rolling three-year review of regulations in 2012. This analysis was performed subsequent to the NCUA's December 19, 2011 response, included in the January 4, 2012 United States Government Accountability Office (GAO) Report to Congress (GAO-12-247)<sup>1</sup>. This response by Chairman Matz, indicated:

It is also worthy to note that consumer credit unions performed very well during the worst financial crisis since the Great Depression, and NCUA was highly successful overall in mitigating failures and losses for consumer credit unions. The 85 consumer credit union failures occurred over a two and a half year period during the height of the economic crisis. As noted in the report, the level of annualized failures is relatively low, only marginally higher than pre-crisis levels, and involved institutions with less than 1% of total credit union assets. NCUA was effective in prioritizing our supervisory resources during the economic crisis to prevent the failure of larger credit unions that came under stress, and in mitigating losses for those that did

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<sup>1</sup> <http://www.gao.gov/assets/590/587409.pdf> United States Government Accountability Office – Report GAO-12-247 – January 2012



In late January 2013, the NCUA's Office of General Counsel released the list of regulations being reviewed, indicating "Regulations under review in 2013 include rules governing member business loans, fair credit reporting, privacy of consumer financial information, appraisals and share insurance. . . . Additionally, NCUA will expand its review of federal credit union bylaws, which began in 2012." Based on this release, it would appear the PCA review was completed in 2012, since it was not expanded into 2013.

The NCUA suggests that the Proposed Rule was written to be more consistent with Other Federal Banking Regulatory Agencies (Other Agencies). The overall credit union industry has consistently been devoted to servicing their members differently than banks. Credit unions have proven to be an economic force in local markets and softened the effects of the recent economic downturns to its members. The overall credit union industry is not looking to be more consistent with banks and has devoted time to being a cooperative in nature.

Thank you for the opportunity to comment on this proposed regulation. The proposed regulation will have significant impact on all credit unions and will ultimately impact our ability to serve our members. I respectfully urge the NCUA to address the recommendations outlined above regarding the proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles Jennings", written over a horizontal line.

Charles Jennings  
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Digital Federal Credit Union  
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