From: Margaret Blankers
To: _Regulatory Comments
Subject: NCUA Revised Proposed Regulation _Risk Based Capital
Date: Monday, April 27, 2015 1:55:33 PM

April 27, 2015

Mr. Gerald Poliquin, Secretary, NCUA Board

Dear Mr. Poliquin:

Re: 12 CFR Parts 700, 701, 702 et al. Risk-Based Capital; Proposed Rule

As someone who has been a member of a credit union for more than 30 years, I wish to register my concern about the currently proposed risk-based capital rule. This is not the right solution for credit unions and would be detrimental to the future of our industry. The risk-based capital rule is flawed; it offers incentives for taking higher risks, increases compliance costs and makes poor use of regulatory resources. It creates a poor solution for a problem that does not exist.

During the financial crisis of 2008-2010, credit unions fared far better than banks and other for-profit financial institutions. While bank and credit union failures were about on par in the years leading up to the crisis, that was not true once the crisis hit – even with the issues at the corporate credit unions. Bank failures nearly tripled those of credit unions in 2008, at (0.60 percent versus 0.23 percent.) By 2010, the number of failures of for-profit institutions was nearly five times higher that credit union failures (1.86 percent versus 0.40 percent).

Further, credit unions' delinquency rates were – and continue to be – much lower than those of banks. From 1992 to 2013, credit unions experienced an average annual net charge-off rate of just 0.61 percent, compared with banks during the same timeframe, which say charge offs of 0.98 percent. In addition, at the peak of credit union mortgage-loan delinquencies in 2009, our industry saw an average of 1.61 percent, as compared with bank mortgage delinquencies of 8.86 percent. It is well known that credit unions as a whole enjoy lower risk as measured by delinquency rate and loan loss than does the comparable banking industry.

Finally – and importantly – following risk-based capital adequacy rules did nothing to prevent the massive bank failures and financial meltdown during the financial crisis. Recognizing this, the Federal Deposit Insurance Corporation reverted to a simple leverage-based capital model just one year ago this month – replacing its risk-based rule requirements. Federal Reserve Board Chairman Thomas Hoenig agrees that risk-based capital is neither suitable nor helpful – and, in fact, can be harmful. Mr. Hoenig stated as much before an American Banker Regulatory Symposium in September 2012, saying, "It turns out that the Basel capital rules protected no one: not the banks, not the public, and certainly not the FDIC. The complex Basel rules hurt rather than help the process of measurement and clarity of information."

At a time when other regulators are seeing the disadvantages of the risk-based capital model, I respectfully request that NCUA withdraw its proposed regulation.

Sincerely,

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