From: Aaron Jameson
To: _Regulatory Comments
Subject: Aaron Jameson – Comments on Proposed Rule: Risk-Based Capital (RBC2)
Date: Monday, April 27, 2015 3:17:54 PM
Attachments: image002.png
image003.png

Dear Mr. Poliquin,

Although Resource One is well capitalized under both measures, our margin under the proposed risk based formula is reduced. I fully support the concept for risk-based capital for credit unions in its revised structure, but still believe there is room for added improvements. I would like to voice my concern on the RBC2 proposal and offer the following comments with the intent for further improvement.

NCUA's rationale for proposing a new risk-based capital rule was to make the RBC system for credit unions more comparable to bank RBC requirements. There is no justification that suggests credit unions were undercapitalized considering their ability to withstand the recent financial crisis and Great Recession compared to banks.

While credit unions fared well during the recession, banks stopped lending. The NCUA should not impose continued stringent RBC requirements than banks. Credit unions will continue to endure and reap the benefits that banks cannot.

In general, the RBC1 and RBC2 would require the subtraction of goodwill from capital in the RBC ratio. RBC2 would allow a credit union to include "supervisory" goodwill as part of capital, but this provision would expire in January 2025. Some credit unions engaged in mergers with troubled credit unions during the recent financial crisis as a way to reduce insurance losses to the NCUSIF. Some of these credit unions would be harmed if they were no longer permitted to include this supervisory goodwill after 2024. Goodwill arising from previous supervisory mergers should be grandfathered and allowed to be counted as risk-based capital without a time limit so long as it meets GAAP requirements.

The use of goodwill allows a credit union to absorb a struggling credit union without negatively impacting the NCUSIF, which as an industry we must find ways to innovate. Goodwill should not be immediately deducted from the numerator of the risk-based capital ratio. Goodwill arising from both previous and future mergers should continue to be counted without a time limitation, so long as it meets GAAP requirements.

I respectfully ask the NCUA to carefully review the proposed revised rule further, to either eradicate or alter certain guidelines for the development of all credit unions. Thank you again for allowing me the opportunity to convey my comments concerning the revised proposal.

Aaron Jameson
Branch Manager | North Garland

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