April 27, 2015

National Credit Union Administration
Gerald Poliquin, Secretary of the Board
1775 Duke Street
Alexandria, VA 22314-3428

RE: Comments on Proposed Rule: Risk-Based Capital; RIN 3133-AD77

Dear Gerald Poliquin,

First of all, I would like to acknowledge and compliment the work completed by the NCUA Board on the revisions from RBC1 to RBC2 as positive steps in the right direction. IH Mississippi Valley Credit Union provides consumer and business services to nearly 120,000 members in Illinois and Iowa and has grown to $930 million in assets over the past 80 years. Our growth has come through steady and prudent planning with careful assessment of both the risks we have elected to take and those that have come at us from external forces.

While we fully understand the need for the NCUA to assess the risks present within the pool of federally insured credit unions in order to gauge the adequacy of insurance reserves, we also feel equally strong that individual credit unions are well suited to gauge the level of risk needed in their balance sheets to adequately serve their memberships.

In order to foster a common understanding for planning and assessment by credit unions, we ask that when the final RBC parameters are determined, that they be implemented as a standard by which all are judged equally and that individual examiner discretion not be allowed to create a HIGHER requirement than that determined in the RBC modeling.

While both RBC1 and RBC2 mirror the FDIC exclusion of Goodwill, we ask that you consider at least some consideration for this to be considered in capital. With the limited sources for credit unions to build capital, we feel that inclusion of Goodwill in capital is needed to allow for continued merger activity that is both financially prudent and good for the underlying membership in the normal course of business beyond that of supervisory mergers. A proactive approach by two credit unions to merge for prudent business reasons should be supported by the NCUA. This provision of RBC penalizes that decision.

As credit unions strive to better serve their membership and generate additional revenue streams, many look to form or partner with CUSO’s. We sincerely applaud the reduction in risk weighting for Investments in CUSO’s from RBC1 to RBC2, however we ask that the current 150% weighting be revisited and revised to a lower level. Prudent investments in CUSO’s strengthen the credit union industry by providing its membership with valuable services while enhancing revenue...and as such, capital.

Mortgage operations within a credit union are a perfect way to build a more solid overall relationship with a member. We all strive for primary financial institution (PFI) status and to be top of mind with our members. The mortgage process creates a perfect opportunity to build that status. Many credit unions choose to transfer the interest rate risk by selling fixed rate first mortgages while retaining the servicing and keeping the touch point with the member. The current risk weighting on Mortgage Servicing Rights at 250% penalizes credit unions from entering or growing this valuable service.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital.

Sincerely,

Brian Laufenberg
EVP/COO
IH Mississippi Valley CU

cc: CUNA, CCUL