The Veridian Group Inc.

April 27, 2015

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

Re: Comment to the Second Proposed Prompt Corrective Action – Risk-Based Capital (RBC) Regulation

Dear Mr. Poliquin:

Please be advised that Veridian Credit Union and its wholly owned CUSO, The Veridian Group, Inc., are providing the following official comment letter regarding the NCUA's recently proposed Risk-Based Capital rule.

While we acknowledge and appreciate many improvements in the risk weights from the original RBC proposal, including reducing the risk weighting on wholly owned CUSOs to 100%, we remain concerned with a 150% risk weighting on CUSOs that are owned by several credit unions. The CUSOs that are owned by more than one credit union are providing much needed economies of scale, helping to obtain levels of expertise that any individual credit union could not afford or obtain on their own, while helping to share/spread risk and lower costs. Assigning an unjustifiably high risk weighting to these multi-credit union owned CUSOs, which are important collaborative tools for our industry, is not reflective of the actual systemic risk CUSOs pose. Overall, based on the 2014 data, federally insured credit unions in total have only 17 basis points of their assets invested in CUSOs, and this number *includes* the fully consolidated CUSO investments! Clearly CUSO investment is not a systemic risk to the NCUSIF.

NCUA's 150% risk weight on CUSOs that are owned by several credit unions also applies to the accumulated and undistributed earnings of these CUSOs under GAAP, which we feel is inappropriate. By utilizing this approach, NCUA is requiring credit unions to set aside additional capital, beyond what they initially invested, to cover retained earnings to support future growth of these CUSOs. We recommend that IF NCUA doesn't reduce the CUSO risk weight to 100%, that only the initial cash investment by a credit union be risk weighted, not the appreciation in that investment over time.

We are investors in five (5) CUSO's owned by multiple credit unions and each one is currently solvent and providing a much needed service to its credit union partners and customers. We feel the rule as proposed is punitive in nature and seems to be backwards in the risk assessment. Would it not be a more prudent to start at 100% RBC and as you identify potential problems with CUSO's, should they arise at all, move the % up to 150%?

Also, since we are a well capitalized credit union we also feel the trigger for credit unions was lowered only slightly from 10.5% to 10.0% in the revised RBC. We feel this reduction from 350 basis points more than the statutory requirement to be well-capitalized of 7%, to 300 basis points over the 7% statutory requirement, is still unwarranted. The 7% well-capitalized net worth level is already above what is required for community banks under Basel III, putting credit unions at a competitive disadvantage, to say nothing of community banks having access to supplemental capital, which at this point NCUA has not chosen to include in the revised RBC. Any requirement to be well-capitalized that exceeds the 7% statutory requirement must be accompanied by supplemental capital provisions for all credit unions.

As a matter of policy, NCUA should be encouraging collaborative CUSO investment, not discouraging it with an unjustifiable 150% risk weighting. We encourage the NCUA to reduce the CUSO risk weighting to 100% for all CUSO investments.

Thank you for the opportunity to comment on this important proposed regulation, one that will have a significant impact on the credit union movement for generations to come.

Respectfully,

Nick Evens
President, The Veridian Group, Inc.

cc: The Honorable Debbie Matz, Chairman
The Honorable Rick Metsger, Vice Chairman
The Honorable Mark McWatters, Board Member