April 26, 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,

I am writing on behalf of Nebraska Energy Federal Credit Union], which serves Electric Power industries in Nebraska. We have 10,600 Members and $247 million in assets. Nebraska Energy Federal Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed amendements to the Risk Based Capital Rule.

I suggest you withdraw the risk-based capital proposal for now and further study if it is necessary; and if so, over what time frame it should be implemented.

With the best of intentions, the revised version of the risk-based capital proposal, while intended to avoid "too little, too late" from NCUA in preventing future losses, in its present form risks being "too much, too soon". Too much net income to be transferred to capital rather than directly benefitting members of our cooperatives. Too soon after weathering a national financial crisis, with deadlines that are too short to avoid real impact on credit union members and potentially lengthening the recovery time required for our members, and thus delaying the firm recovery of our national economy.

CUNA estimates that only 1 of 189 Credit Unions that failed during the economic crisis would have been covered by this rule.

Credit unions replenished our insurance fund without any Risk Based Capital Rule in place. We are a strong industry financially, and the lasting effects of a Risk Based Capital Rule could ultimately lead to hurting the consumer with higher loan rates and lower deposit rates.

Risk-based capital as it relates to loans seems to be requiring a duplicate of the allowance for loan and lease losses be reserved in capital, rendering one or the other unnecessary; thereby calling legitimacy of our financial statements into question.

The proposed definition of "complex" credit unions is based solely on an asset size – federally insured credit unions with $100 million in assets. Asset size does not necessarily reflect a credit union's complexity. I recommend the NCUA consider both asset size and operational complexity, and take the time necessary to determine a more accurate definition of "complex" than just total assets.

Under RBC2, proposed risk weights for current first lien residential mortgage loans over 35% of assets, current and non-junior real estate loans over 20% of assets need to be lowered to levels below those in place for banks. Having percentages this high will stifle loan growth and have a negative impact on real estate values, as mortgages become harder to get.

The setting of risk weights in excess of 100% is too high. Most losses will occur as a portion of the whole, not a multiple. For example, a loss on a consumer loan or corporate capital should not exceed 100%.

Consumer credit unions were not the problem as stated by many in the financial community.

The Credit Union industry is well capitalized and has proven its ability to sustain capital in all economic cycles. That being the case, I urge NCUA to withdraw the proposal for now, and take time to more accurately define “complex”, and hold open meetings around the country to hear input on whether this rule is necessary.

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

Sincerely,

Stanley Fraser
Chief Executive Officer
Nebraska Energy FCU

cc: CUNA, CCUL