



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

Re: Comments on proposed rule -- Risk-Based Capital (RBC2)

Dear Mr. Poliquin:

On behalf of Kitsap Credit Union (KCU), I am writing this letter to express our reservations and concerns regarding the proposed RBC rule. Thank you for the opportunity to provide responses to this very complex and impactful proposal.

It is by our design and uniqueness that credit unions are not significant risk takers. After all, we are stewards of our member's money, **not** profit-generators to pay stockholders. Because we perform bank-like activities, credit unions are forced into the bank models for analysis and regulation, ignoring the cooperative and conservative nature of our industry.

This proposed rule uses the banking industry model as a basis for its formulas and risk weightings. It is counter-intuitive to use a model that has been labeled as a failure by many leaders of FDIC and others in the banking industry. A recent paper, [The Failure of Risk-Based Capital Regulation, January 31, 2013](#), was published by The Mercatus Center at George Mason University stating: "Evidence indicates that such regulations have increased individual bank risk as well as the systemic risk in the banking system." If NCUA has used the bank model to structure this proposal, as we know it has, then this proposed rule should not be promulgated.

The NCUA already has sufficient supervisory powers and enforcement capabilities to regulate credit unions in this area and this rule is unnecessary and onerous. Interest rate risk (IRR) is not mitigated by regulation, it is mitigated by thorough knowledge and analysis of the credit union's balance sheet. The expertise of a credit union's management team and the tools they use provide much more protection than risk ratings.



I feel NCUA should employ the professional experts in the ALM/IRR consulting industry to draft a guidance document that will be specifically designed for credit unions and much more relevant and useful for both the credit unions and examiners. Many of these professionals have drafted comment letters which contain many significant concerns regarding the content of this proposed rule. I have yet to read one that supports this rule as proposed and I hope that these letters will be given their due consideration.

I appreciate NCUA being open to comments on this latest proposed rule but strongly urge a reconsideration of moving forward with it. With the hundreds, maybe thousands, of responses you have received from credit union professionals, vendors and members, it is clear to me that enacting the rule would be a significant setback for our industry.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Henderson", with a long horizontal line extending to the right.

Scott Henderson  
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