1st MidAmerica Credit Union
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April 27, 2015

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

Subject: PCA – Risk Based Capital

Dear Mr. Poliquin,

On behalf of my Board and myself, I again appreciate the opportunity to comment on the revised Risk Based Capital Rule. 1st MidAmerica Credit Union has over 58,000 members and is $625,000,000 in assets. As with many natural person credit unions, we feel the risk based capital rule is unnecessary and will cause credit unions to hold back additional funds that could be used for the benefit of members. The proposed capital plan is based off and compared to the banking risk based system. Through the last financial crisis, we learned that natural person credit unions were positioned with significantly less risk than our banking counterparts. As we appreciate the revisions from the first proposal, we feel there are opportunities for additional improvement to reduce the impact to our credit union membership.

Some of our concerns with the proposal still stand. Mortgage servicing assets are proposed to carry a risk weight of 250% which seems high. Although this is a saleable asset, our credit union relies on the process for selling the mortgage and retaining the member relationship. We do not have the funding available to meet our members' mortgage demands, and we sell the mortgage to lower our interest rate risk. The mortgage servicing right is a result of maintaining the member relationship. We do not want our members solicited by larger banks and mortgage companies. The MSR risk rating of 250% may cause credit unions to reevaluate the benefits of selling and servicing.

An additional concern is the CUSO risk rating of 150%. As in my last letter, we are continuing to push forward to investigate the formation of a CUSO. For us, the CUSO would offer risk sharing between credit unions while lowering the costs. Over the years, we have had several smaller credit unions inquire about offering the same services we as a larger credit union were able to offer to our members. We feel the time is right for a CUSO but are concerned about the impact of the risk based proposal. We feel the risk weighting should be 100%.

Under the revised proposal, we are opposed to the requirement of a formal capital adequacy plan. RBC2 would become the standard for capital. Any plan developed by the credit union would be designed to provide a buffer to any capital requirement. What is intended to be a goal could become a requirement for capital through the examination process.

Deducting the NCUSIF deposit from the risk based calculation is equivalent to writing off the NCUSIF deposit. There is value in the deposit and it acts as a buffer in the credit union and credit union system losses. The NCUSIF deposit should not be deducted from the numerator.

Regarding the definition of the Mortgage Partnership Finance (MPF) Program, please remove the words "and servicing them" from the definition of the MPF program. Whether servicing is retained or sold has no bearing on the favorable capital treatment of the MPF loans with limited recourse. In addition, please clarify the definition of the MPF Program as it does not apply to the Mortgage Purchase Program (MPP). There is no associated risk as an off-balance sheet item and should not be considered in the context of the MPF program.

Although we appreciate the improvements from the original risk based capital proposal, we think additional revisions should be made to the proposal before becoming regulation. Thank you for the opportunity to comment, and please listen to the volume of comments provided by a concerned industry.

Sincerely,

Alan Meyer
President/CEO