From:	Carl Ratcliff
To:	_Regulatory Comments
Subject:	Risk Based Capital
Date:	Friday, April 24, 2015 1:26:47 PM

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

RE: Comments – Proposed Rule: Risk Based Capital

Dear Mr. Poliquin:

I am writing in regard to the proposed Risk Based Capital regulation. My credit union currently exceeds the both the statutory and risk based capital threshold proposed by NCUA. Risk Based Capital is a concept that credit unions should embrace if properly and fairly designed. In designing the regulation the first thing to be considered is the statutory 7% capitalization standard established by Congress. In addition, the uniqueness of credit unions should be considered as contrasted with banks. Comparability with bank capital standards hinges on more than comparable risk categories and weights; it is also about access to capital and access to membership. It is for these primary reasons I object to the Risk Based Capital Rule as proposed. There are several other areas of concern:

COMPLEX CREDIT UNION THRESHOLD

To define a complex credit union simply based on assets as a measure of complexity in comparison with other financial regulators is disproportionate to the risk and totally out of line. Other institutions with $100 million assets are not considered complex by their regulators and their ability to engage in programs considered risky for credit unions far exceeds the ability of credit unions of any size. I believe the threshold for other institutions is $300 million.

PROHIBITIVE COST OF RISK BASED CAPITAL

The proposal would impose significant costs on credit unions. NCUA has estimated that this proposal will cost credit unions roughly $5.1 million to read the rulemaking and review it against their current policies and an expense of $1.1 million expense to complete the adjusted Call Reports. The agency also expects to spend $3.75 million to make the necessary changes to the call reports, update examination systems and train staff to implement the proposed requirements. NAFCU has projected that credit unions' capital cushions (a practice encouraged by NCUA's own examiners) will suffer a $490 million reduction in cushion if NCUA adopts this "two-tier" approach. In order to satisfy the proposal's "well-capitalized" thresholds, NAFCU estimated credit unions would need to raise an additional $760 million. On the other hand, to satisfy the proposal's "adequately capitalized" thresholds, today's credit unions would need to raise an additional $270 million. These are funds that could otherwise be used to make member loans and aid in our nation's economic recovery.

A SOLUTION IN SERCH OF A PROBLEM

This risk-based capital proposal is a solution in search of a problem. All of the credit unions combined do not pose a systemic risk to Americas financial systems. The premise for this 'solution' is Dodd-Frank legislation adopted after the financial crisis. Given the strong performance of natural person credit unions and the NCUSIF during the crisis there is no evidence that credit unions were undercapitalized, or that had this proposal been in effect, that there would have been any material reduction in insurance losses to the National Credit Union Share Insurance Fund. Although the Federal Credit Union Act directs the NCUA to devise a risk-based capital requirement that is comparable to the system in effect for banks, the FCUA also requires NCUA to take account of the unique nature of credit unions. The recently released Volcker Alliance report presents recommendations for reorganizing the federal financial regulatory system. The report does not suggest any changes for NCUA and asserts that *"The NCUA does not have a financial stability mandate or supervisory or regulatory authority over any financial institution requiring enhanced prudential standards necessary for maintaining financial stability."*

Thank you for the opportunity to comment on this proposed regulation. I urge NCUA to simply walk away from this proposal and address more important issues to enhance credit unions like Secondary Capital, Member Business Lending and Field of Membership restrictions.

Sincerely,

M. C. Ratcliff
President/CEO
ABNB Federal Credit Union