
From: Jim Dean <no-reply@cuanswers.com>
Sent: Tuesday, February 17, 2015 2:20 PM
To: _Regulatory Comments
Subject: Risk-Based Capital Comment

To: Regulatory Comments
From: Jim Dean
Oak Trust Credit Union

02/17/2015

Dear Mr. Poliquin:

Dear NCUA Directors:

Thank you for providing this opportunity to comment in advance of imposing RBC2 on the credit union industry.

Our credit union's board of directors believes this rule is overreaching as many of the failures this proposed rule is trying to mitigate do not even take into consideration the reasons for the losses during the great recession. As has been depicted during the board meeting and in the proposal, over 40% of failures were the result of fraud; all of us have been following the St. Paul Croatian's fraud loss dilemma, which cost the insurance fund \$170 million dollars to date. Economic policy had nothing to do with many of these losses, regardless of the shape of credit unions' balance sheets. The idea that passing a rule—a seemingly typical government reaction—can stop fraud, eliminate mismanagement and prevent external circumstances from decimating credit union's market environment is wrong. Effective supervision is not rule making, it is intelligent supervision and patient reorganization when problems arise. This is lacking in our cu regulatory community today.

Congress intended for the NCUA to develop rules around credit union complexity that would take into account the diversity of credit unions. An arbitrary asset cut-off point is contrary to the mission Congress provided to the NCUA, which is to take in account the special nature of my members' relationship with my credit union.

As pointed out in the Hon. J. Mark McWatters' dissent, the NCUA has pivoted away from its own long-standing interpretation of Section 216(d) of the Federal Credit Union Act. In 2007, the NCUA asked Congress to amend the regulation because you said the NCUA needed additional authority to create a two-tiered Risk Based Capital test. Can you explain why you suddenly believe the NCUA has the authority to do so, when your past practice has been the exact opposite?

Our credit union believes the RBC2 rule would undermine the cooperative and diverse nature of our charters by creating a one size fits all over-reaching capital formula. This is a massive flaw of the NCUA's structure as regulator and insurer. We believe this is a myopic view of cooperatives and only considers our equity funding mechanism. A cooperative is a like group of individuals banding together to own a business that is guaranteed to meet their similar financial needs. The arguments and logic of the rule misapplies what is done successfully at a local or institutional level, to an entire system. Because of this I would respectfully recommend the rule be thrown out and at best become a matrix the NCUA would use in the exam process only.

For those of us who remember when the airline industry went into crisis with mergers and failures, their credit

unions survived to serve their members; when the auto industry closed plants and had layoffs, their credit unions converted to communities to be there for the workers and families; when the housing crisis hit in California, Florida, and Arizona, credit unions rewrote billions of mortgage loans to keep people in their homes until they got back on their feet. The rule undermines the core of credit union effectiveness by having government rules, not the member-owner's well-being, be the focus of business strategy. In 2010, our own credit union experienced a similar crisis as an SEG whose membership represented nearly 50% of our earnings partnered with a bank. The exodus from that relationship and resulting decline in membership, loans and shares and a disproportionate increase in loan losses was not well understood by the NCUA, making our recovery much more difficult. There definitely a "one size fits all" approach to addressing our problems, including great concern over our use of the resources readily available to us by way of our cooperative structure.

A handwritten signature in black ink that reads "Jim Dean". The signature is written in a cursive, flowing style.

Jim Dean
Oak Trust Credit Union