

Regulatory Comments

From: Donvier Laffitte <no-reply@cuanswers.com>
Sent: Sunday, March 01, 2015 2:40 PM
To: _Regulatory Comments
Subject: Risk-Based Capital Comment

To: Regulatory Comments
From: Donvier Laffitte
CU*Answers

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Dear Mr. Poliquin:

I believe the revised RBC rule penalizes credit unions for specific activities such as real estate lending, member business lending, and credit unions chartered to assist the un-bankable by placing a capital tax on the resulting assets of low income or poor credit lending. We believe the end result will be thousands of homogenous balance sheets in 2025 that you can easily understand from a supervisory perspective. However, this current risk posture of the NCUA cannot fail but to lead credit unions to shy away from diversity or cooperative reason for the charter and field of membership. The end result of this rule will ultimately force credit unions into potential areas of investment and lending that the credit union lacks experience with or create industry wide concentrations that could be impacted by similar economic variables.

While I fully understand the desire and natural instinct to attempt elimination of risk through required conformance to rules, this proposal threatens to endanger the very goal behind the credit union industry. Forcing institutions to shy away from investments that may appear risky externally could have a dramatic economic impact on the local community that the institution was created to build in the first place. The local economy also contributes to the level of risk a particular investment represents, which I feel is not properly taken into account by these actions.

With an industry defined rule such as this, intended to protect institutions during economic downfalls, could ultimately serve to accomplish the opposite; ensuring that everyone is equally negatively impacted due to a universal lack of diversification. In and of itself, this rule creates more risk than it proposes to control.



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