Town of Hempstead Employees Federal Credit Union
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March 16, 2015

Gerard Poliquin, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428
RE: Risk-Based Capital, 80 FR 4340-01

Dear Mr. Poliquin:

As the CFO of the Town of Hempstead FCU, a $114 million multiple SEG credit union based on Long Island, I would like to comment on NCUA's proposed risk-based capital framework. Conceptually, I am in favor of a more sophisticated risk-based capital system for credit unions. Properly designed, it could benefit well managed institutions by rewarding them for having a balanced mix of assets. NCUA has made important improvements with this second proposal but it continues to deny credit unions the flexibility they need to allocate resources most effectively for their members.

For example, NCUA continues to rank investments in CUSOs as one of the riskiest investments a credit union can make. Instead of categorically assuming that all CUSOs are inherently risky, NCUA should adopt a more nuanced approach. Ultimately, NCUA should be primarily concerned with the riskiness of the services provided by a CUSO and how dependent a credit union is on CUSO investments. An alternative to its proposed approach would be to negatively weigh credit union CUSO investments only after they surpass a designated investment threshold. By adopting this approach, NCUA would not implicitly discourage every CUSO investment and it would be modeling its system more closely after the BASEL III framework. (See Federal Reserve October 11, 2013 Vol. 78, No. 198 P. 62066).

NCUA should also increase the threshold for "complex" credit unions from $100 million to $250 million. There are many credit unions above $100 million that don't represent a risk to the Share Insurance Fund either because they are well managed or because they do not offer risky products and services. Conversely, I recognize that there are some credit unions below $250 million that should be subject to greater regulatory oversight. Therefore, the presumptive threshold should be $250 million, but NCUA should have the authority to designate specific credit unions between $100 and $250 million in assets as complex upon a finding that they are not well managed. Whatever asset size NCUA does decide is appropriate; it should not define complex credit unions based on the type of services they perform. A $250 million credit union is presumptively complex and provides a bright line rule for all institutions.

As NCUA continues to develop a better RBC framework, I hope these and other comments received by the agency will be beneficial.

Sincerely,

Mary Lou Keane

Mary Lou Keane, CFO
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