Western New York
FEDERAL CREDIT UNION

March 16, 2015
Gerard Poliquin, Secretary of the Board,
National Credit Union Administration,
1775 Duke Street,
Alexandria, Virginia 22314-3428

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Risk-Based Capital, 80 FR 4340-01

Dear Mr. Poliquin

I am writing on behalf of Western New York FCU to comment on NCUA's revised Risk Based Capital (RBC) proposal. As the CEO and treasurer of a $44 million credit union I am pleased that the compliance threshold has been raised but additional changes have to be made before the benefits of an enhanced RBC framework justify the burdens it would impose on the industry.

In determining what credit unions are "complex" NCUA should both raise the asset size threshold and categorize larger credit unions as complex only if they engage in potentially risky activities. On a practical level, credit unions will have to modify investment and lending policies long before they reach the RBC threshold. This means that credit unions such as my own will be impacted by the proposal almost immediately after it takes effect in 2019. In addition a larger threshold would, as recently pointed out by Board member McWaters be consistent with other banking regulators which consider institutions as large as $250 small for regulatory purposes. Furthermore there is no requirement that a credit union be considered complex just because it is large. Instead a credit union should be considered complex only if is both large and engages in the following loans and investments: Member business loans, Participation loans, Interest-only loans, Indirect loans, Non-federally guaranteed student loans, Non-agency mortgage-backed securities, Collateralized mortgage obligations/real estate mortgage investment conduits, Commercial mortgage-related securities, Repurchase transactions, and Derivative transactions.

This proposed regulation is substantially more complicated than NCUA's initial recommendation. Without further amendments I do not believe the suggested changes are beneficial enough to justify their increased complexity. For example, if this proposal is promulgated in its existing form Call Reports will be modified and credit unions will have to learn the distinction between "Commercial loans" and "Member Business Loans." These and other similar changes will impact all credit unions regardless of whether or not they must comply with the RBC framework.

In this proposal NCUA has listened to many of the complaints expressed by credit unions and have modified many of its proposed risk weightings so that they are comparable to those imposed on banks. However by continuing to highly weight investments in both the corporate system and in unconsolidated CUSOs NCUA is still proposing to penalize credit unions that invest within the industry.

All credit unions have a stake in RBC reform even if they would not be immediately subject to its provisions. NCUA has made substantial improvements but still more needs to be done.

Sincerely,

Marie T. Betti

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