From:	Debi Southworth
To:	_Regulatory Comments
Cc:	Sarah Stevenson
Subject:	Debi Southworth - Comments on Proposed Rule: Risk-Based Capital
Date:	Wednesday, March 25, 2015 3:37:56 PM

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

RE: Comment to the Second Proposed Prompt Correction Action – Risk Based Capital Regulation

Dear Mr. Poliquin:

Please be advised that OMNI Community Credit Union is providing the following official comment letter regarding the NCUA's recently proposed Risk Based Capital Rule.

While we acknowledge and appreciate the enhancement in the risk weights from the original RBC proposal, including the risk weighting on wholly owned CUSOs to 100%, we remain concerned with a 150% risk weighting on CUSOs that are owned by several credit unions. The CUSOs that are owned by more than one credit union are providing much needed economies of scale, helping to obtain levels of expertise that any individual credit union could not afford or obtain on their own, while helping to share/spread risk and lower costs.

NCUA's 150% risk weight on CUSOs that are owned by several credit unions also applies to the accumulated and undistributed earnings of these CUSOs under GAAP, which we feel is inappropriate. By utilizing this approach, NCUA is requiring credit unions to set aside additional capital, beyond what they initially invested, to cover retained earnings to support future growth of these CUSOs. We recommend that if NCUA does not reduce the CUSO risk weight to 100%, that only the initial investment by a credit union be risk weighted, not the appreciation in that investment over time.

OMNI Community Credit Union is an owner if three different CUSOs that are owned by several credit unions. Those include a mortgage CUSO, MBL CUSO and Benefits CUSO. We made the decision to invest in these CUSOs for various reasons including:

1. The cost of doing these business lines internally was cost prohibitive, thus sharing this expense with other credit unions allows us to offer additional products to our membership;
2. The expertise of the staff at the CUSOs is an immense benefit to our Credit Union;
3. The collaboration the CUSOs allow between credit unions; we have several credit unions that we can reach out to for advice and consulting and vice versa.

As a matter of policy, NCUA should be encouraging collaborative CUSO investment, not discouraging it with an unjustifiable 150% risk weighting. We encourage the NCUA to reduce the CUSO risk weighting to 100% for all CUSO investments.

Other risk weightings are more restrictive than our counter parts, community banks. These include secured consumer loans, unsecured consumer loans as well as others. In order to remain competitive, we feel that these should be in line with the BASEL III requirements instead of being more restrictive.

The next issue we would like to express our concern on is the trigger to be a well-capitalized credit union was only lowered slightly in the revised RBC. Currently the 7% well-capitalized net worth is already above what is required for community banks under BASEL III. This gives credit unions a disadvantage compared to community banks, in addition community banks have access to supplemental capital, which at this point the NCUA has not included in the revised RBC.

Thank you for the opportunity to comment on this important proposed regulation, one that will have a substantial impact on the credit union movement for generations to come.

Sincerely,

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