From:	John Newett
To:	_Regulatory Comments
Cc:	Ron Collier; Todd Habig; Justin Sinders
Subject:	Indiana Members Comments on RBC 2
Date:	Friday, April 03, 2015 8:31:55 AM
Attachments:	image001.png

INDIANA
Members Credit Union
Keeping It Simple

Mr. Ron Collier
President and CEO
Indiana Members Credit Union
5103 Madison Avenue
Indianapolis, IN 46227

March 30, 2015

Mr. Gerard Poliquin
Secretary to the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314
Filed via: regcomments@ncua.gov

Dear Mr. Poliquin:

On behalf of Indiana Members Credit Union, we would like to express our appreciation to NCUA for the serious consideration paid to the many comment letters that were submitted regarding the agency's original risk-based capital proposal. Our letter was one taken into consideration, and we want to commend NCUA for responding to a number of the concerns expressed about the original proposal. The revised proposal is certainly more balanced than the original, and we are certainly appreciative for those changes.

We believe that there are still several areas of concern that should be addressed by NCUA and respectfully request that you consider the following issues.
We understand NCUA's desire for some version of risk weighted capital; however, we again want to emphasize that **a well thought out risk-based approach should be developed to <u>replace</u> the existing leverage net worth ratio, instead of implemented as an additional capital hurdle to meet.** Managing two different capital limits puts an unnecessary burden on credit unions, and serves as an additional competitive disadvantage to the credit union charter.

While the trigger to be a "well-capitalized" credit union was lowered from the initial proposal, this reduction was relatively insignificant. We question the need for a higher threshold than exists currently, particularly when the statutory 7 percent net worth level is well above what is required of community banks. This proposed RBC rule requires <u>an additional 300 basis points</u> (above the current statutory requirements) to be reserved at the expense of having it available for the strategic long term investment of the credit union.

We do appreciate the modifications made to most of the risk weighting factors. However, the risk weight factors for consumer loans have moved in the wrong direction. With the historical performance of credit unions in managing consumer loan risk, these higher risk weights seem overly restrictive. These weights should be more balanced and reflective of historical performance of credit unions.

The treatment of "Goodwill" remains an additional area of concern in the proposal that could negatively impact credit unions that have participated in, or would consider participating in mergers. The phase-out being extended through 2025 is helpful, but effectively only kicks the can down the road. This impact could have the unintended consequence of being a deterrent to future mergers that would otherwise result in a healthier surviving credit union.

Again, we thank you for your consideration of our previous concerns about the risk-based capital proposal and ask for the same level of attention to the concerns addressed in this comment letter.

Respectfully submitted,

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