United
FEDERAL CREDIT UNION

March 24, 2015

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

Dear Mr. Poliquin:

On behalf of United Federal Credit Union, I would like to provide the following comment letter for the official record regarding the proposed risk-based capital rule that was approved by the National Credit Union Administration (NCUA) Board in January 2015. We appreciate the opportunity to present our thoughts on the second rendition of this far reaching regulatory proposal and to express our concern regarding the institution of separate risk-based capital thresholds for "well capitalized" and "adequately capitalized" credit unions if the revised proposed rule is finalized in its current form.

I applaud the Board's efforts to enhance risk sensitivity and establish a capital framework that considers a credit union's size and complexity. Further, we appreciate the Board's significant revisions in this proposed rule that omits the provision in the previous proposal that would have allowed examiners to implement individual minimum capital requirements, decreases the risk-weight for business loans, and removes undefined "asset-backed investments" from the 1,250 percent risk-weight category. I value your responsiveness to our concerns discussed in our previous comment letter and welcome these changes.

I am alarmed about the proposed introduction of a new scaled approach for assigning capital classifications for well capitalized, adequately capitalized, and undercapitalized credit unions. Currently, United Federal Credit Union's net worth ratio must meet or exceed its applicable risk-based net worth requirement to receive a capital classification of well capitalized or adequately capitalized. This proposal, however, would require complex credit unions such as United Federal Credit Union to calculate a separate risk-based capital ratio that must, itself, exceed independent thresholds. Most notably, our risk-based capital ratio must exceed 10% to be deemed well capitalized; to be deemed adequately capitalized, the risk-based capital ratio must exceed 8%. As a result, if our Credit Union were well capitalized based on its net worth ratio, it would lose that designation if its risk-based capital ratio falls between 8.00 percent and 9.99 percent; it would be deemed adequately capitalized.

While our risk-based capital ratio based on the proposal is not between 8.00 percent and 9.99 percent at this time, as it is currently above 10 percent, allocating resources to capital necessarily restricts resource allocation to other areas, directly impacting what we can do for our membership. We need flexibility to allocate resources properly over time. Our management, held accountable by the fiduciary responsibility of the Board of Directors and overseen by both CPA opinion audits and ongoing NCUA examination, is in the best position to determine the appropriate balance to best serve our membership's needs.

Additionally, the higher risk-based capital ratio threshold for classification as a well-capitalized credit union does not appear to be authorized. The Federal Credit Union Act (FCU Act) expressly provides that NCUA shall implement a risk-based net worth requirement that "take[s] account of any material risk against which the net worth ratio required for an insured credit union to be adequately capitalized may not provide adequate protection." 12 U.S.C. § 1790d(d). The Federal Credit Union Act does not seem to provide NCUA the express authority to implement a separate risk-based net worth threshold for the "well capitalized" net worth category. Simply, Congress has not expressly authorized the Board to adopt a two-tier risk-based net worth standard.

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Thank you very much for the opportunity to comment on this proposal. Again, let me emphasize that I support the efforts of NCUA to promote a balanced risk-based capital system that applies the need for additional capital to credit unions that carry higher risk without a proven risk management record.

We request your continued consideration of the need to preserve the flexibility of those credit unions with effective risk management practices to make their own balance sheet decisions and strongly encourage the Board consider both the short-term and long-term effects of the rule on the viability of our Credit Union and our ability to serve our membership by revising the proposal to eliminate the risk-based capital distinction between well capitalized and adequately capitalized complex credit unions.

If I can be a source of any further information on this comment letter, please do not hesitate to contact me.

Sincerely,

Gary Easterling

Gary L. Easterling
President/CEO