

La Capitol

FEDERAL CREDIT UNION

Federally Insured by NCUA.

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Organized by State Employees

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March 24, 2015

The Honorable Debbie Matz, Chairman
The Honorable Richard Metzger, Vice Chairman
The Honorable Mark McWatters, Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Risk Based Capital Proposed Regulation

Dear Chairman Matz, Vice Chairman Metzger and Board Member McWatters:

On behalf of La Capitol Federal Credit Union, I am writing to you regarding the National Credit Union Administration's (NCUA) proposed rule governing risk-based capital (RBC). We very much appreciate the opportunity to provide our thoughts on this important regulatory proposal, to express some of our concerns about the potential impact of the proposed rule on credit unions if finalized in its current form and to offer some suggested improvements in the rule for your consideration as you move forward in the rulemaking process.

La Capitol FCU is characterized as well capitalized under the current capital measurement and would remain well capitalized under the proposed risk based capital measurement. Like many credit unions, La Capitol has a low risk balance sheet, and would actually have a higher capital surplus under the proposed measurement. As an industry, natural person credit unions are well capitalized and came through the last financial crisis with few capital issues. NCUA's current risk based net worth rules have been effective and call into question the need for a new regulation.

The proposed regulation will require additional software and staffing costs. NCUA estimates that it will cost \$3.75 million for the agency to adjust the Call Report, update its examination systems and train internal staff to implement the proposed requirements, along with an additional ongoing \$1.1 million for credit unions to complete the adjusted Call Report fields. NCUA states that only a limited number of credit unions will be affected by the regulation and the current regulatory measures are available to address these outliers. We question the need for this regulation and associated drain on credit union resources.

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The proposed rule will require "complex" credit unions to maintain a comprehensive written strategy appropriate for their level of capital and risk profiles, which NCUA will assess during the supervisory process. NCUA omitted individual minimum capital requirements (IMCR) from this revised RBC proposal because NCUA lacks the statutory authority to impose such requirements. While NCUA should be able to access the adequacy of a credit union's plans, there needs to be safe guards to prevent over-zealous examiners from implementing IMCR during the exam process.

Thank you very much for the opportunity to comment on this proposed regulation. The issues we have highlighted above will have a significant impact on the credit union industry and our ability to serve our members. We respectfully urge NCUA to address some of the recommended improvements to the proposal contained herein.

If I can be a source of any further information on this comment letter, please do not hesitate to contact me at mhooper@lacapfcu.org or by phone at (225) 342-5055 extension 2274.

Sincerely,



Michael Hooper, President/CEO
La Capitol Federal Credit Union