March 23, 2015

Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22315-3428

RE: NCUA proposed risk-based capital requirements/ RIN 3133-AD77

Dear Mr. Poliquin,

Thank you for considering my serious concerns and feedback regarding the NCUA's proposed risk-based capital (RBC) rule. As CEO for First United Credit Union (Grandville, Mich.), a $30-million asset/5,000-member CU, there are several points that create serious questions regarding this proposal.

Capitalization levels: RBC would require CUs to hold capital in order to be considered adequately-capitalized at 10.0% to be considered well-capitalized. This increase seems unfair, exorbitant and unnecessary.

Risk Weights: RBC would implement arbitrary weights on credit unions balance sheets. As is the nature of the business a credit unions balance sheet can and will fluctuate monthly and quarterly through business and economic cycles. Of particular concern is the weight on non-current loans. Had we had to apply those weights during the great recession of 2008-2010 it would have been harder for credit unions to serve their members in the members time of most need. With ALLL calculations already in place to account for higher charge offs, this weight is un necessary and in my opinion will ultimately hurt our members and all consumers when they need their credit union most.

Proposed risk weights do not reflect marketplace realities: The current weights bear no relationship to actual CU losses over time - both from the standpoint of losses relative to those in the banking sector and the standpoint of comparative losses within credit union portfolios.

Inconsistent definition of "complex" CU: The FCUA currently considers a "complex" CU based on the portfolios of assets and liabilities of CUs. The proposal would implement *an asset threshold for CUs over $100 million*. This designation does not meet the requirements defined under the FCUA as complex.

Negative Impact on Growth and Viability for Smaller CUs: Many hundreds of healthy small CUs will soon be larger - growing across the arbitrary '$100 million threshold' that automatically makes them complex under the proposal. Inflation alone will cause a significant number to cross the threshold.

Negative impact on low-income CUs: RBC could negatively impact members (and their ability to obtain financing) served by low-income CUs.

Historical perspective does not support RBC: The 7% net worth requirement under the existing rule was sufficient to sustain the CU industry through the recent financial crisis, and CUs did not require a taxpayer bailout.

When viewing the proposal on the surface, the concept of risk-based capital requirements seems to make sense. Requiring CUs with seemingly risky or more complex operations to have higher capital levels seems rational. **Unfortunately, the way the proposed rule is structured, more problems arise than would be solved.**

Also, may I respectfully ask: Is the proposal necessary? It seems some of the definitions provided by the NCUA do not correspond with the reasoning for the proposal. For example, can the definition of "complex CU" be only defined by asset size? Additionally, there may not be a correlation between proposed risk requirements to *actual levels of risk*. These assertions are why I believe the RBC proposal is flawed and should be withdrawn.

As stated above, the various elements of the proposal would dramatically impact CUs on a variety of levels. If adopted most CUs would need to increase the amount of capital held in order to be well-capitalized and the burdensome risk weightings would serve as *disincentive* to invest in CUSOs, member business loans, mortgage loans, as well as long term investments.

Also, it's proven that risk-based capital has not worked historically with banks and that banks are moving away from risk-based capital structures. Banks have been subject to RBC thresholds for approximately 25 years. This RBC structure did not help banks during the 2008 recession. CUs did, however, manage much better throughout the recession, and continued to provide lending when their banking counterparts could not.

I would ask the NCUA to keep our unique differences strong and not propose even more stringent RBC requirements than banks. If implemented, it could potentially encourage some CUs to convert their charters to banks. There is also no feasible way to quantify in a single, risk-based system the many variables or specifics that impact each CU's individual risk.

First United CU supports the overall objective of ensuring CUs are well-capitalized. However, we also believe the vast majority of CUs are well- or adequately-capitalized. The RBC proposal is unnecessary and places unfair regulatory burden on all CUs, and will negatively impact our ability to grow and capture market share.

Even though we are currently under the $100-million threshold, it won't be long until we are at that level. When we reach $100-million in assets, this proposal will negatively impact our ability to grow and serve our members.

More conclusive research and data is required, and the CU industry as a whole must be given the opportunity to voice its concern and participate in a discussion – especially with such a momentous decision as RBC and its impact on our growth and ability to serve members.

Millions of consumers rely on credit unions for safe and sound financial services. This rule, if implemented would negatively affect our members and all consumers and the credit unions who strive so diligently to serve them.

This rule attempts to paint all credit unions with a wide and broad brush and we know that is not the case. Credit unions are unique in serving their members and this rule would attempt to homogenize all credit unions and ultimately hurt the members credit unions are trying to serve.

Sincerely,
Mark Richter
President/CEO