April 1, 2015

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

Dear Mr. Poliquin:

I am writing on behalf of the Board of Directors, Management, and members of Wright-Patt Credit Union, Inc. ("WPCU"). Thank you for the opportunity to comment on NCUA's revised proposed rule for Risk Based Capital.

While we appreciate NCUA's efforts at improving the original risk based capital rule, we remain unconvinced that a risk based capital rule is necessary, nor that it would even be effective at preventing credit union failures. In essence, we believe the revised rule continues to represent a solution that won't work to a problem that doesn't exist.

We further believe NCUA is overlooking an elegant and meaningful opportunity to accomplish the goals of its RBC II proposal in a way that combines regulatory restraint with good public policy. Respectfully, we therefor ask that NCUA:

1. Reject the new RBC II rule in its entirety and work towards a risk-based modelling tool for examiners to use as part of the examination process;

2. Maintain and strengthen, if necessary, the current leverage ratio rule as it has proven over and over again to be the best measure of capital and financial stability;

3. Recognize that RBC II as proposed only changes the capital ratings of a handful of credit unions. This is strong evidence that the rule is not even necessary – the vast majority of credit unions, including WPCU, already have sufficient capital as measured by the simple leverage ratio.

RBC as a Modelling Tool

We believe NCUA could be a leader among financial institution regulators and achieve all the goals of RBC II in a far more flexible and pragmatic way by making the proposal a modelling tool rather than a rigid rule, similar to interest rate risk monitoring tools. Credit union risk could be calculated as a model by examiners using risk weights appropriate for each credit union's environment, and discuss with boards and management their views of risk for various asset classes. NCUA would have flexibility to use different risk weights in different regions, for example, to better consider geographic differences in risk assets. As conditions change, NCUA could adjust RBC weighting to evaluate the impacts particular to individual credit unions. A model is far more flexible than a rigid rule, and allows opportunities to pragmatically manage risk rather than distort decision making through rule-based estimates of risk which may or may not be accurate.

Leverage Ratio
We believe there is no evidence that a Basel-style RBC rule has ever been effective at predicting risk or preventing financial institution failures. We ask that the NCUA Board take time to study the work of Mr. Thomas M. Hoenig, vice chairman of the Federal Deposit Insurance Corporation. Among his many comments on the subject is this, from a speech given April 9, 2013:

> "*Finally, we should not accept even comforting errors of logic which suggest that Basel III requirements will create stronger capital than those of Basel II, which failed. Instead, past industry performance and mounting academic and other evidence suggest that we would be best served to focus on a strong leverage ratio standard in judging a firm and the industry's financial strength. Our responsibility as regulators and deposit insurers is to choose the best available measure that will contribute to financial stability.*"

It is clear that Mr. Hoenig does not view Basel-style risk estimates to be the best measure of financial stability, and history has proven him right. NCUA should not follow with Basel-style standards of its own.

In conclusion, NCUA has an opportunity to be an innovative leader among financial institution regulators to pragmatically improve risk management, and in a way that shows much needed regulatory restraint. By using RBC II as a model, rather than a rule, credit unions and examiners alike will have a better, more flexible tool for managing risk without treating all credit unions as if they were for-profit banks.

You can get what you want without a new rule to distort credit union decision-making. You can be a partner for helping credit unions model risk as part of the examination process and have meaningful conversations with boards and management about risk as a result. You can refrain from imposing a new set of regulations and provide much needed regulatory relief.

For all these reasons we urge NCUA to discard this proposal and return to the strong leverage ratio as the best measure of risk capital for credit unions.

Respectfully submitted,

Douglas A. Fecher
President/CEO

Cc: The Honorable John Boehner, Speaker of the House
The Honorable Mike Turner
The Honorable Steve Chabot
The Honorable Jim Jordan