

April 1, 2015

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

Risk-Based Capital, 80 FR 4340-01

Dear Mr. Poliquin:

I am writing to comment on NCUA's revised regulation implementing a new risk-based capital framework for complex credit unions. I have been fortunate enough to work in both the credit union and banking industries. Based on my experience, I believe that a more sophisticated capital framework can benefit credit unions, but only if NCUA devises an RBC rule that reflects their unique characteristics. NCUA showed it was willing to respond to legitimate concerns by extensively revising its initial draft. I hope it continues to refine its plans in order to provide greater clarity and more flexibility to complex institutions.

I would support an RBC system that gives credit unions the flexibility they need to allocate resources to best address their unique needs and challenges. Instead, NCUA is overreaching federal law by mandating that credit unions be "well capitalized" and asserting that it has the authority to establish buffer requirements for specific credit unions. This ambiguous assertion of power goes too far. The final regulations should specify the conditions under which credit unions will be subject to enhanced buffers.

For an RBC framework to be beneficial it will have to be more complex. This means that Call Reports will probably need more information and new categories of loans will have to be created. However, increased complexity is only worth the compliance burden if credit unions end up with a good RBC system. Unfortunately, in addition to granting itself too much power, NCUA continues to exaggerate the dangers of certain investments. Most notably, it assumes that all CUSO investments are among the most dangerous a credit union can make without any consideration of the type of services a CUSO provides.

On a more positive note, one of the most important changes NCUA has made is to raise the asset level at which credit unions would be subject to RBC from \$50 million to \$100 million. Since institutions will have to prepare for compliance long before they are required to, a \$50 million trigger would have meant that credit unions as small as \$40 million in assets would have been guided by RBC constraints when making investment decisions. In contrast, most \$100 million asset credit unions offer a variety of products and engage in more sophisticated portfolio management. In addition, by defining credit unions as complex once they reach this asset size, NCUA is providing a clear marker that can be used to prepare for future RBC compliance.

I hope these comments will be helpful as NCUA continues to work on developing a more sophisticated RBC system.

Sincerely,

John Deecher, President/CEO

Utica Gas & Electric, FCU