April 07, 2015

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

RE: Comments on Proposed Rule: Risk-Based Capital; RIN 3133-AD77

Dear Gerald Poliquin,

I am writing on behalf of the Board of Directors and the members of Essex County Teachers Federal Credit Union, Charter 1131, which serves Board of Education employees in Essex County, New Jersey. We have just over 2,600 Members and $14 million in assets. I appreciate the opportunity to provide comments to the National Credit Union Administration (NCUA) on its Risk-Based Capital Revised Proposed Rule.

As a credit union well below the proposed asset size to which this rule would apply, it appears that we will not be affected by it. That is far from the case. As I set forth below, several aspects of this rule will affect my credit union and my members in unintended ways. Beyond that I believe that anything that affects one group of credit unions and its members ultimately affects all credit unions and all credit union members.

This new proposal, while far from perfect, is much improved over the original one. I would like to thank the members of the NCUA Board for making many of the changes requested in comments on the 2014 proposed rule.

I would like to make the following comments:

* NCUA has not put forth any real argument for the necessity of this regulatory action. The fact is that the current system, with its current definitions of capital adequacy, held up incredibly well throughout the worst economic catastrophe since the Great Depression.

* The additional capital required by this proposal, while much less than previously proposed, will still be detrimental to the interests of many credit union members. To raise the required additional capital affected credit unions will have to charge their members higher interest rates and fees and pay lower interest on deposits. In addition to picking the pockets of credit union members, this will put credit unions at a distinct competitive disadvantage relative to the nation's for-profit banking sector. Policy makers should be encouraging more of what credit unions do, not less, and this proposal demands less.

* The need to maintain higher capital levels that this rule will cause will almost certainly reduce the amount of support, both monetary and operational, that larger credit unions have historically provided to their smaller counterparts. This will put additional strain on the finances and operations of many of the nation's smaller credit unions. Not only will members of large credit unions pay for this increased capital, but members of many smaller credit unions will pay as well.

* Defining a “complex” credit union by asset size is arbitrary and makes no sense. A credit union has complex risks only if it engages in complex activities. A credit union’s activities, not its asset size, should determine whether it has a need for a risk based capital requirement.

* Excluding the NCUASIF deposit from assets just makes this rule look even more arbitrary. This is a riskless asset and should be counted as such, not excluded.

* Credit unions should be allowed to include supplemental capital in the Risk Based Capital numerator. Although current law may not permit the use of supplemental capital as net worth, NCUA can and should authorize supplemental capital’s use for Risk Based Capital calculations.

* I am especially concerned about the capital adequacy plan requirements in this proposal. Strategic planning, including capital planning, is very important for credit unions. Each credit union's long-term desired capital ratio will depend on its own assessment of the risks it faces, and its tolerance for risk. Such a plan should not be the subject of examination and supervision, and the goals a credit union establishes for its own capital sufficiency should not become targets or standards in an examination.

* NCUA made many positive changes to the risk weightings; however, the risk weights for CUSO investments and mortgage servicing rights remain too high and could affect a credit unions' ability to own and operate CUSOs and hold mortgage servicing rights.

* Organizations are allowed to carry goodwill on their books because it has value. As long as it meets GAAP requirements a credit union should be allowed to include it in capital.

Thank you again for the opportunity to comment on this proposed rule and for considering my views on risk based capital requirements.

Sincerely,

Robert Steeves
CEO
Essex County Teachers FCU

cc: CUNA, CCUL