_Regulatory Comments

From: Erin Snyder <no-reply@cuanswers.com>
Sent: Wednesday, April 08, 2015 7:03 PM
To: _Regulatory Comments
Subject: Risk-Based Capital Comment

To: Regulatory Comments
From: Erin Snyder
Horizon Utah Federal Credit Union

04/08/2015

Dear Mr. Poliquin:

I believe the revised RBC rule penalizes credit unions for specific activities such as real estate lending, member business lending, and credit unions chartered to assist the un-bankable by placing a capital tax on the resulting assets of low income or poor credit lending. We believe the end result will be thousands of homogenous balance sheets in 2025 that you can easily understand from a supervisory perspective. However, this current risk posture of the NCUA cannot fail but to lead credit unions to shy away from diversity or cooperative reason for the charter and field of membership. The end result of this rule will ultimately force credit unions into potential areas of investment and lending that the credit union lacks experience with or create industry wide concentrations that could be impacted by similar economic variables. In and of itself, this rule creates more risk than it proposes to control.

As mentioned by the Hon J. Mark McWatters, the NCUA cannot just “piggyback” on to the FDIC unless they have the authority from Congress to do so. The plain language of the statute contradicts the NCUA’s interpretation. After all, if the NCUA was to be given the same PCA authority as the FDIC, Congress could have done exactly that. The clear intent of Congress was to create a separate system for our industry, and the NCUA must operate within those confines.

Although Congress has stated NCUA must develop risk based capital standards and they must be formulated in a similar fashion as the banking industry, we do not believe Congress wished to create a tax on members and abandon the cooperative principles of credit unions. Since the publication in the Federal Register the actual costs associated with this capital tax have been challenged. Recently NAFCU published an estimate that credit unions will need to raise an additional $760 million dollars in capital to achieve their current capital levels. Because credit unions only have one source of earnings, that additional capital tax must come directly out of our members’ pockets through a reduction in savings rates, increase in loan rates, and potentially changes to transaction fees. We believe NCUA’s estimate falls far short of the actual cost to the industry and again focused on the potential risk to the insurance fund rather than those they regulate and ultimately their members . In an effort to remain the best financial resource for our members, we would encourage the NCUA to withdraw the proposed rule altogether.

We must stop the debate about the nuances of the rule and convince the NCUA, after outlining the substantial objections, that the modeling approach needs to be tested and tried in the examination process as a tool and then the results shared with the industry before suggesting that a model be embedded in a law.

I am an employee and member of a credit union and I am opposed to the revised Risk-Based Capital regulation. First, because although we are fundamentally different from banks, this regulation seeks to treat us the same.

And second, because even the FDIC's Vice Chairman thinks a Risk-Based Capital approach is a bad idea! By implementing the rule, you won't serve our interests, our members', or the NCUSIF's; you'll only be creating a bigger mess for later. Please remove RBC from consideration. Thank you,

Erin Snyder
Horizon Utah Federal Credit Union