



August 30, 2018

Gerald Poliquin  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Va. 22314-3428

**SUBMITTED VIA EMAIL:** [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

**RE: RIN 3133-AE90 – Risk-Based Capital – Supplemental Rule**

Dear Mr. Poliquin,

On behalf of Minnesota’s credit unions, please accept this correspondence in response to the National Credit Union Administration’s (NCUA) proposed amendments to the Risk-Based Capital Rule (Rule). The Minnesota Credit Union Network (MnCUN) represents the interests of Minnesota’s 109 credit unions and their more than 1.7 million members. MnCUN thanks you for the opportunity to provide feedback on this matter.

We thank the NCUA for continuing to analyze and attempt to improve the Rule. We support the proposed amendments and ask the NCUA to consider the following suggestions.

Please consider delaying the effective date beyond the date currently proposed. Doing so would give the NCUA additional time for further analysis on the application/scope of the Rule. For the reasons stated below, we believe additional analysis and revisions are needed.

We also ask that the NCUA move away from an asset-based threshold and consider a more surgical approach to assuring the safety and soundness of credit unions. According to the NCUA’s own analysis (based upon both a net worth ratio and the Rule’s ratio), “the large majority of complex credit unions hold margins well above the levels required to be well-capitalized.”<sup>1</sup> In fact, according to the Rule’s criteria, almost 99 percent of all “complex” credit unions are well capitalized.<sup>2</sup> The results of the NCUA’s own analysis bring into question the necessity of the Rule itself and the additional regulatory burden that will occasion it. A more surgical approach would be for the NCUA to apply the requirements of the Rule on a case by case basis for credit unions that the NCUA deems to be complex and where capital is most at risk. This would allow the NCUA to focus its attention where it is needed the most – on those complex credit unions that are in jeopardy and in need of help.

If asset size is the determined threshold for application of the Rule, the NCUA should consider increasing the threshold above \$500 million. One of the stated reasons for NCUA’s proposal to increase the threshold to \$500 million was the percentage of “complex” assets and liabilities and total assets in

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<sup>1</sup> *Federal Register*, Vol. 83, No. 153, pp. 39002-39003

<sup>2</sup> *Id.*

the credit union system that would still be subject to the Rule's requirements.<sup>3</sup> The proposed rule did not provide analysis on how those percentages would be affected if the asset threshold were set at a point above \$500 million (e.g., \$750 million, \$1 billion or \$10 billion). Nor did the proposed rule provide analysis on the percentage of credit unions with complexity ratios of greater than 10%, 20% or 30% that would be subject to the Rule if the asset threshold was set above \$500 million. We ask the NCUA to provide such analysis and consider whether it justifies a threshold higher than \$500 million.

On behalf of Minnesota's credit unions, we applaud the NCUA for taking actions to improve the Rule and thank you for considering our commentary on this matter. If you have any questions about our comments, please do not hesitate to contact me at (651) 288-5517.

Sincerely,

A handwritten signature in blue ink that reads "Tim Tacheny". The signature is written in a cursive style with a small flourish at the end.

Tim Tacheny  
General Counsel

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<sup>3</sup> *Id.* at p. 38999 (“However, approximately 85 percent of the complex assets and liabilities and 76 percent of the total assets in the credit union system would still be subject to the risk-based capital requirements.”)