



Submitted via email to: regcomments@ncua.gov

Aug. 31, 2018

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke St.
Alexandria, VA 22314– 3428.

Re: Risk-Based Capital – Supplemental Rule
RIN 3133–AE90

Dear Mr. Poliquin:

The Wisconsin Credit Union League, representing Wisconsin’s credit unions® and their 3 million plus members, appreciates the chance to comment on the National Credit Union Administration’s (NCUA’s) proposed Risk Based Capital (RBC) Supplemental Rule.

The League appreciates the NCUA’s willingness to revisit its 2015 RBC rule and its responsiveness to concerns that The League and others recently raised about the rule. In July, The League wrote to NCUA Board Chairman J. Mark McWatters, asking the NCUA to delay implementation of the rule, to raise the threshold for complex credit unions to \$500 million, and to better account for a credit union’s “complexity index.” Other credit union trade associations made similar requests. The NCUA now proposes to raise the asset size threshold for complex credit unions to \$500 million and to delay the effective date until Jan. 1, 2020. We applaud the NCUA for being receptive to industry requests, and we generally support the direction that the NCUA takes in this proposal. However, we believe that the RBC rules should be revised even further. We respectfully ask the NCUA to consider refining its definition of a “complex” credit union and delaying the effective date of the rule by at least two more years – to Jan 1, 2021 or later.

Assets size threshold

This proposal would increase the asset size threshold for a credit union to be considered “complex” from \$100 million to \$500 million. That increase is based largely on calculations made using proposed updates to the NCUA’s original complexity index (which it now calls the revised complexity index or RCI), and a new complexity ratio (CR), which it uses to analyze the portfolios of assets and liabilities of credit unions. NCUA uses both the RCI and CR to justify setting the asset size threshold for “complex” credit unions at \$500 million. All of these changes are positive; however, we believe that NCUA should do more than use the RCI and CR to warrant setting a particular asset size threshold for calling a credit union “complex.” That approach simply measures the average complexity of credit union operations within certain asset size ranges.

Instead, we believe that a \$500 million threshold should be used in combination with the actual operational complexity of individual credit unions, as measured by that credit union’s RCI and CR. For example, the NCUA could tailor the definition of “complex” to include only federally insured credit unions with assets above \$500 million and RCI and/or CR values higher than certain thresholds (e.g, an RCI value of 6 or more and/or a CR of at least 45%). This more tailored definition would ensure that credit unions would be treated as “complex” based not just on asset size but also on whether they actually offer a substantial amount of complex products and services (and thus truly pose higher risks).

Effective date

This proposal would delay the RBC rule’s effective date by one year, from Jan. 1, 2019 to Jan. 1, 2020. We respectfully ask that any compliance deadline be extended by at least two years, preferably longer.

The Wisconsin Credit Union League

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An extension would reflect provisions in H.R. 5288, the Common Sense Credit Union Capital Relief Act of 2018, which would delay the rule from taking effect until January 1, 2021. Furthermore, earlier this year the House Appropriations Committee voted to approve the 2019 Financial Services and General Government Appropriations bill. Title IX, Section 938 of the bill includes the provisions of H.R. 5288, and would postpone implementation of any RBC rule to 2021. The NCUA should take its cue from these legislative efforts and effectuate a much-needed delay.

Delaying the implementation date to 2021 (or later) would:

- Give affected credit union more time to adopt a plan for the NCUA's review and approval;
- Allow covered credit unions adequate time to implement the strategic and operational changes to prepare for a new RBC system; and
- Let the NCUA develop its own examination resources and training for its examiners, as well as needed guidance for credit unions, far in advance of the effective date.

Conclusion

Refining the definition of "complex" to consider a credit union's actual revised complexity index score and/or its complexity ratio would ensure that only large credit unions actually offering a substantial amount of complex products and services (and thus posing extraordinary risks) would be considered "complex." Extending the deadline for compliance for at least two more years (until Jan. 1, 2021 or beyond) would truly afford affected credit unions, and examiners, sufficient time to prepare.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul E. Guttormsson", with a long horizontal flourish extending to the right.

Paul E. Guttormsson
Vice President of Legal & Compliance
Wisconsin Credit Union League & Affiliates
(608) 640-4052