



September 7, 2018

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

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

Dear Mr. Poliquin,

The Credit Union Association of the Dakotas (CUAD) appreciates the opportunity to provide comment to the National Credit Union Administration (NCUA) regarding its proposed rulemaking concerning Risk-Based Capital – Supplemental Rule. To provide a brief background, the Credit Union Association of the Dakotas represents 62 state and federally chartered credit unions in the states of North Dakota and South Dakota, whose assets total over \$6 billion and who have more than 445,000 members.

CUAD appreciates the NCUA's thorough review of the comment letters submitted in response to the first and second proposed rule regarding risk-based capital. In North and South Dakota we have a number of credit unions that have a long, established and proven history of providing safe and sound agricultural lending to their members and application of the first proposed rule would have been detrimental to our credit unions' members and communities had it been adopted as first proposed. We thank the NCUA for listening to these comments and making significant changes to the proposed rules.

As expressed in previous comment letters, CUAD appreciates the NCUA's role and responsibility to protect the share insurance fund and also to ensure safety and soundness in credit unions. CUAD acknowledges that the NCUA is directed to implement regulations for prompt corrective action. However, CUAD also has concerns this particular regulatory process began as a solution in search of problem. Nonetheless, CUAD applauds the NCUA for listening to the credit union industry and taking steps to address the concerns expressed.

With regard this instant proposed rule regarding definition of "complex credit union," the NCUA proposes to amend § 702.103 of the 2015 Final Rule to increase the threshold level for coverage

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from more than \$100 million in total assets to more than \$500 million in total assets. CUAD fully supports an increase in the threshold definition of “complex credit union.”

However, as has been recommended in prior comment letters, CUAD continues to contend that this threshold be increased to at least \$1 billion and these credit unions work directly with NCUA in a cooperative manner to develop a risk based capital plan that is better suited for the credit union industry. The Federal Credit Union Act (FCUA) §216(d)(1) directs the NCUA to define complex based on “portfolios of assets *and* liabilities of credit unions.” Under current regulations, a credit union is defined as “complex” and a risk-based net worth requirement is applicable only if the credit union meets both “(a) Minimum asset size. Its quarter-end total assets exceed fifty million dollars; AND (b) Minimum RBNW calculation. Its risk-based net worth requirement as calculated under §702.106 exceeds six percent (6%).” *12 CFR 702.103*

In regard to the proposal to delay the implementation date of the 2015 Final Rule, CUAD fully supports a delay. Whereas, the NCUA proposes to delay the implementation date for the 2015 Final Rule until January 1, 2020, CUAD recommends that the rule be delayed until January 1, 2021, to better coincide with the Financial Accounting Standards Board (FASB) changes to replace the current credit impairment model with a Current Expected Credit Loss model. CUAD urges the NCUA to delay implementation of the risk based capital rule until the final FASB rule has been fully implemented by credit unions.

Thank you for this opportunity to share our comments.

Respectfully,

A handwritten signature in black ink that reads "Jeffrey Olson".

Jeffrey Olson  
CEO/President

A handwritten signature in black ink that reads "Amy Kleinschmit".

Amy Kleinschmit  
Chief Compliance Officer