July 26, 2019

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

RE: Delay of Effective Date of the Risk-Based Capital Rules, RIN 3133-AF01

To Whom It May Concern:

The Americans for Financial Reform Education Fund ("AFR Ed Fund") appreciates the opportunity to comment on the above referenced Proposed Rule (the "Proposal") concerning the National Credit Union Administration's ("NCUA") proposing a delay of the application of risk-based capital rules to complex credit unions (the "Delay"). Members of AFR Ed Fund include consumer, civil rights, investor, retiree, community, labor, faith based, and business groups.[1]

The AFR Ed Fund opposes further delay in the application of risk-based capital rules to credit unions. Current net worth rules for credit unions have not been significantly revised since they were created in 2001. The NCUA is the only banking regulator that has not implemented significant new increases in risk-absorbing resources in response to the 2008 financial crisis. This delay will only extend that troubling record, and present the example of an agency that requires a period of close to fifteen years to field its response to dramatic market events.

The risk-based capital rules at issue here were completed in 2015. A seven year delay in their implementation is unprecedented and unjustified. This is especially true since just last year the NCUA narrowed the application of these rules to only credit unions over $500 million in size, representing only ten percent of all credit unions. Only a tiny fraction – well under one percent -- of all credit unions would need to raise additional capital as a result of actually implementing the risk based capital rule.

The credit union system as a whole holds $1.4 trillion in assets, equivalent to or larger than some of the giant "too big to fail" banks that have been designated as systematically significant. We saw during the 2008 crisis, when credit unions had to approach Congress for an emergency line of credit to create the Corporate Credit Union Stabilization Fund, that the credit union system is

[1] A list of coalition members is available at: http://ourfinancialsecurity.org/about/our-coalition/

exposed to financial instability. Allowing the credit union system to be undercapitalized presents a significant threat to taxpayers.

The justifications given in the Proposal for delaying the updating of capital rules are not convincing. The NCUA, and the credit union system as a whole, should have the administrative capacity to develop rules on issues like asset securitization and to update and modernize examination systems without bringing the implementation of vital capital rules to a halt. If the NCUA is going to adopt a policy of setting aside the implementation of any new rule until all other planned initiatives are completed, then it is difficult to see how any regulatory project will get done, since there will always be some new initiative that can serve as an excuse for delaying pending rules. Just last year the Board expressed its belief that a delay of only one year would be administratively called for to implement the risk based capital rule. There is no change in circumstances described in the Proposal which would explain why a delay of one year was adequate in 2018 but four additional years of delay have somehow become necessary in 2019.

As Board Member Harper pointed out at the Board meeting discussing this Proposal, since the original risk-based capital rule was finalized the NCUA has permitted almost $1 billion to be returned to credit unions from the Share Insurance Fund protecting taxpayers against losses (already funded at a level well below the Deposit Insurance Fund protecting depository banks), and the credit union system has also seen a significant increase in net worth since the completion of the risk based capital rule. Yet despite this apparent evidence of ample resources in the system, the NCUA now refuses to implement a rule that would require only a small fraction of the riskiest credit unions to moderately increase their capital in order to better protect depositors, taxpayers, and other credit unions that are exposed to Share Insurance Fund losses.

We urge the NCUA to reject the proposed delay and move forward with the long-delayed reforms to its capital rules by implementing the 2015 risk-based capital proposal. Thank you for the opportunity to comment on this Proposal. If you have questions, please contact Marcus Stanley, the Policy Director of the AFR Ed Fund, at 202-466-3672 or marcus@ourfinancialsecurity.org

Sincerely,

Americans for Financial Reform Education Fund