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National Association of Federal Credit Unions | [www.nafcu.org](http://www.nafcu.org)

October 1, 2014

The Honorable Tim Johnson  
Chairman  
Committee on Banking, Housing,  
And Urban Affairs  
United States Senate  
Washington, D.C. 20510

The Honorable Mike Crapo  
Ranking Member  
Committee on Banking, Housing,  
and Urban Affairs  
United States Senate  
Washington, D.C. 20510

The Honorable Jeb Hensarling  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Maxine Waters  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515

**Re: Update on NCUA's "Risk-based" Capital Proposal for Credit Unions**

Dear Chairman Johnson, Ranking Member Crapo, Chairman Hensarling and Ranking Member Waters:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association exclusively representing our nation's federal credit unions, I write today with respect to the risk-based capital proposal released in January by the National Credit Union Administration (NCUA). Credit unions and their 98 million members thank you for your continued oversight with respect to this issue and for expressing your concerns to the agency regarding this proposal.

Earlier this week NCUA Chairman Debbie Matz announced that the agency intends to issue a revised proposed rule for a new comment period. Further, Chairman Matz stated that the amended proposal could be issued before the end of 2014. NAFCU and its member credit unions are appreciative of Chairman Matz seeking additional input in this process. We are also encouraged that anticipated changes to the original proposal would exceed the parameters necessary to re-propose the rule under the *Administrative Procedure Act*. While we consider the announcement of a re-proposal with an additional comment period a step in the right direction, the substantive details of the new revised proposal and its impact on credit unions and consumers remain to be seen.

While NAFCU continues to support a true "risk-based" capital system for credit unions, it remains unclear what changes will be made and if the revised proposal will still create the kind of "one-size-fits-all" requirement for credit unions to hold more capital that we saw in the initial

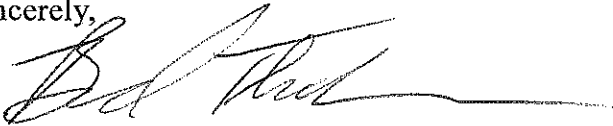
proposal. NAFCU will remain engaged on this issue and will be reviewing the revised proposal in great detail to better understand the impact it could have on credit unions and their ability to serve the lending needs of their member-owners.

As you are aware, the initial proposal would have been devastating for credit unions and the economy, forcing credit unions to hold approximately \$7 billion in additional reserves to maintain the same capital cushion that they currently have, taking away those funds from making the loans and providing the services that their members want and need. NAFCU is hopeful that the proposed changes will represent a more fair system for credit unions. We look forward to working with the agency and Congress to provide our feedback on the proposed changes when they are released. We would urge you to remain vigilant in your oversight of this rulemaking and stand ready to provide additional comment to the agency and take action if the re-proposal warrants it.

Additionally, NAFCU also believes that Congressional action is needed on legislative proposals to bring about capital changes for credit unions such as allowing credit unions to have access to supplemental capital sources, and making the statutory changes necessary to design a true risk-based capital system for credit unions. We hope that your committees also will be willing to tackle these legislative reforms as the process moves forward.

We look forward to continuing to work with you and your staff as the details about the revised risk-based capital proposal emerge from NCUA. If my staff or I can be of assistance to you, or if you have any questions regarding this issue, please feel free to contact myself, or NAFCU's Director of Legislative Affairs, Jillian Pevo, at (703) 842-2836.

Sincerely,

A handwritten signature in black ink, appearing to read "Brad Thaler", with a long horizontal line extending to the right.

Brad Thaler  
Vice President of Legislative Affairs

cc: Members of the Senate Committee on Banking, Housing, and Urban Affairs  
Members of the House Financial Services Committee