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**B. Dan Berger**  
President & Chief Executive Officer

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

December 17, 2014

The Honorable Debbie Matz, Chairman  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

RE: NCUA Second Risk-Based Capital Proposed Rule

Dear Chairman Matz:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions, I am writing to you regarding the National Credit Union Administration's (NCUA) upcoming second Risk-Based Capital proposed rule. NAFCU and our member credit unions believe it is critical that NCUA effectively consider and incorporate industry input to ensure that an appropriate risk-based capital regime is adopted for the credit union industry. The 2,000 comments submitted for the first proposal clearly demonstrate that credit unions around the country have a vested interest in this issue, and the concerns they raised deserve consideration. NAFCU is pleased that the NCUA Board has indicated that it will make a number of changes in the second proposal.

As the agency works to make changes, NAFCU would like to reiterate our concerns with the first proposal and urge the agency to make major modifications to these areas in the second proposal. NAFCU and our members' concerns include:

- Several issues related to NCUA's legal authority to issue the rule as first proposed, such as:
  - Comparability with banking regulatory requirements;
  - Substitution of statutory defined legal terms;
  - Individual minimum capital requirements;
  - Definition of a "complex" credit union;
- NCUA's proposed risk-based capital ratio for well capitalized credit unions set at 10.5 percent;
- NCUA's treatment of risk-weighted assets and the lack of explanation for deviation from similar banking risk-weights;
- NCUA's incorporation of interest rate and concentration risk into risk-weighting for real estate, investments, and member business loans (MBL's);
- Individual minimum capital requirements for credit unions including issues with the subjectivity of their imposition.

Chairman Matz  
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NAFCU wants to be clear – we support a risk-based capital system for credit unions that would reflect lower capital requirements for lower-risk credit unions and higher capital requirements for higher-risk credit unions. However, we continue to believe that Congress needs to make statutory changes to the *Federal Credit Union Act* in order to achieve a fair system. Such a system should move away from the static net-worth ratio to a system where NCUA joins the other banking regulators in having greater flexibility in establishing capital standards for institutions. We also believe that capital reform must include access to supplemental capital for all credit unions.

NAFCU applauds the NCUA Board for its commitment to make significant changes to the structure of the proposed rule, and for providing the industry with the necessary opportunity to raise their concerns and suggestions with the second proposal during the comment period. We also commend NCUA for establishing a Risk-Based Capital working group to solicit input from credit unions and industry representatives on the first proposal. NAFCU strongly urges the agency to establish a similar group for the second proposal.

NAFCU looks forward to reviewing the second Risk-Based Capital proposed rule and working with the agency as it moves forward on this issue. Should you have any questions or would like to discuss these issues further, please contact me by telephone at (703) 842-2215.

Sincerely,



B. Dan Berger  
President & CEO

Cc: Vice Chairman Richard Metsger  
Board Member Mark McWatters