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National Association of Federal Credit Unions | www.nafcu.org

January 15, 2015

The Honorable Richard Shelby
Chairman
Senate Committee on Banking, Housing
& Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable Sherrod Brown
Ranking Member
Senate Committee on Banking, Housing
& Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable Jeb Hensarling
Chairman
House Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member
House Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

Re: National Credit Union Administration's Revised Risk-Based Capital Proposal

Dear Chairman Shelby, Ranking Member Brown, 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 to inform you that the National Credit Union Administration (NCUA) Board has, in a 2-1 vote, issued a revised risk-based capital proposed rule. NAFCU has just begun to analyze the proposal and will be providing NCUA with detailed comments and concerns from our membership as part of the agency's request for comment. We are encouraged to see that the revised version of this proposal addresses some changes sought by our membership. However, NAFCU maintains that this costly proposal is unnecessary and will ultimately unduly burden credit unions and the communities they serve.

While NAFCU is still analyzing the true costs of this proposal, it is already apparent that NCUA's projected \$53.6 million cost for credit unions downgraded under this proposal to remain well capitalized, does not reflect the fact that most credit unions maintain a capital cushion above the minimum required for their capitalization classification – a practice often strongly encouraged by NCUA's own examiners. Despite NCUA's assertion that only a limited number of credit unions will be impacted, this proposal would force credit unions to hold hundreds of millions of dollars in additional reserves to achieve the same capital cushion levels that they currently maintain. These are funds that could otherwise be used to make loans to consumers or small businesses and aid in our nation's economic recovery.

NAFCU is also deeply concerned with other costs. NCUA's own estimate approximates that this proposal would cost credit unions over \$5 million for "policy review and revision" alone, in addition to ongoing costs of compliance with any final rulemaking. This also does not take into account NCUA's internal costs, which credit unions ultimately bear.

Ultimately, NAFCU believes legislative changes are necessary to bring about comprehensive capital reform 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 the Senate Banking and House Financial Services Committees will consider these legislative reforms as the process of reviewing capital standards moves forward.

Credit unions and their nearly 100 million members thank you for your continued oversight with respect to this issue. If my colleagues or I can be of assistance to you, or if you have any questions regarding capital issues for our nation's credit unions, 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 flourish extending to the right.

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the United States Senate
Members of the United States House of Representatives