



# Indiana Credit Union League

*The association of Indiana credit unions*

June 28, 2018

The Honorable J. Mark McWatters  
Board Chairman  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

Chairman McWatters,

We are writing regarding the risk-based capital rule under the Prompt Corrective Action section of NCUA's rules & regulations, which becomes effective January 1, 2019. We are writing to ask that the NCUA Board act to either repeal this rule altogether, or at a minimum, delay the effective date for at least two years.

We continue to believe that this rule is not needed. As we stated in our comment letter in 2015, credit union capital withstood the most challenging five-year economic turmoil that we have ever seen. Credit union capital on average is at the same very strong level as it was before the severe economic downturn that began in 2008 and included absorbing the corporate CU capital write-downs as well as the assessments for the Corporate Stabilization Fund (a good portion of which now appears to have been unnecessary). Existing regulations that require credit unions to establish an allowance for potential loan losses, stress test their balance sheets, establish an interest rate risk policy, and understand the various risks in different aspects of the credit union operations, etc. have adequately enabled credit unions to manage risk very well. We still do not believe that NCUA demonstrated the need for a revised RBC rule.

Also, as you stated during the Board discussion of the final rule, you had questions regarding the legal basis for NCUA establishing multiple capital thresholds for federal credit unions. We continue to believe that there is no legislative or regulatory basis for establishing this rate. In particular, we believe the 10% well capitalized threshold is too high. NCUA has not provided any supporting data sufficient to indicate why this rate is proper. Banks are not subject to the same level of capital that credit unions currently are, and certainly nowhere near what credit unions would have to meet in the proposed rule. This seems to infer that there is higher risk in credit unions than in other financial institutions. This is not true as is borne out in the loss ratios for various financial institutions. Credit union loss ratios have historically been lower, and certainly do not support this level of capital requirement.

While we recognize that there are efforts currently in Congress to include a two-year delay of the RBC rule legislatively, we believe that it is important that NCUA act now to, at a minimum, approve a two-year delay in the effective date. This would allow a more detailed review of the RBC rule by the NCUA Board once new members are added through the confirmation process. With the effective date scheduled for January 1, 2019, we believe action needs to be taken now to delay the rule in order to prevent unnecessary policy modification/development, procedure modifications, or any system enhancements credit unions may feel are necessary in order to comply with the final rule. Credit unions may also be making loan product and investment option decisions to reallocate assets and liabilities on the balance sheet that could be detrimental to the credit union and its members.

Chairman McWatters, we appreciate the efforts by the NCUA Board to address the regulatory compliance burden credit unions are facing. We commend the Board for the approval of a \$736 million dividend payment to credit unions in the third quarter of this year, which further strengthens the credit unions' capital positions. We believe a delay in the effective date or outright repeal of the RBC rule is appropriate and continues to demonstrate the willingness of the NCUA Board to address the significant regulatory burden credit unions are dealing with. Please feel free to contact me with any questions you may have regarding this letter. I can be reached at (317) 594-5320 or [johnm@icul.org](mailto:johnm@icul.org).

Sincerely,

John McKenzie  
President  
Indiana Credit Union League