



May 28, 2014

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

RE: RIN 3133-AD77 – Comments on Proposed Rule: PCA – Risk-Based Capital

VIA ELECTRONIC MAIL: www.regulations.gov

The Michigan Credit Union League (MCUL), the statewide trade association representing 98% of credit unions located in Michigan and their 4.5 million members, appreciates the opportunity to comment on the NCUA's proposal to amend Part 702 of the NCUA's regulations regarding prompt corrective action (PCA) and Risk-Based Capital. While the MCUL supports the NCUA's efforts to construct a risk-based capital system that would provide credit unions parity with corporate credit unions and community banks, as discussed below, the current proposal unfortunately misses the mark in a number of significant ways.

Fundamentally, the proposal does not achieve the core purpose of a risk-based capital system—proper alignment of capital retention with risk, thereby generally permitting institutions that engage in activities that are less risky to hold less capital and requiring those engaged in more risky behavior to hold proportionately more capital. Instead of keeping to this principle, the NCUA proposal overreaches by layering into the formula attempts to hedge against concentration risk and interest rate risk. In doing so, the agency has constructed a proposed system that would require most credit unions to hold more capital.

To illustrate, the proposal would require the credit union industry, which just survived the most severe financial turmoil since the Great Depression largely unscathed, to collect and retain over \$7 billion in additional capital reserves. While additional capital may provide a security blanket for regulators concerned about avoiding criticism over failed institutions, every dollar of regulatory capital unnecessarily held literally robs Michigan communities of opportunities to grow and thrive. Rather than being put to work funding small businesses, helping members get their first car loan, or pay off a high interest payday loan, these dollars are held in reserve, depriving our members and their communities of access to capital and the opportunities for which credit unions were established in the first place. This is wrong.

The proposal as currently constructed, for the many requests outlined in this letter, is so fundamentally flawed that we respectfully suggest the agency go back to the drawing board and start over again. In an effort to provide the NCUA with constructive feedback on the many deficiencies of the proposal we respectfully provide the following comments.

Mortgage Loan Concentration Risk

First, on a very basic level, risk-based capital regulation is supposed to create a more accurate measure of net worth and where appropriate, reduce capital burden by more accurately matching risk to capital retention, not simply increase it. In short, a risk-based system is a two way street—

less risk, less capital—more risk, more capital. Banks have long operated within a risk-based capital framework that achieves this, in order to encourage appropriate risk taking in lending and the associated economic stimulus.

And it should go without saying that credit unions—like banks—are in the business of assuming and mitigating risk. No regulatory capital system should have as its goal, or its effect, the total elimination of the possibility of failure because when you demand that credit unions stop taking all risk, you undermine the core reason for credit unions to exist—to spread risks amongst members that they would not be able to assume on their own. Effective risk mitigation—not total risk elimination, should be the goal.

The proposed rule eliminates the 50% risk weighting under BASEL III for first lien 1-4 family mortgage loans regardless of concentration or maturity. Many of these loans have terms of 15 years or less or have adjustable rates, which significantly reduces exposure to risk. Bank risk-based capital guidelines do not attempt to regulate risk on mortgage loans in the manner that NCUA proposes. Doing so will likely have the effect of discouraging credit unions from providing capital for mortgage loans and essential small business loans, both of which are already under pressure in numerous ways and badly needed in our struggling economy. Currently, many credit unions have much more than 25% of their assets in first-mortgage loans. Under the proposed rule, which tries to bake concentration risk into the formula, in order to avoid capital penalties for perceived over-concentration of mortgage loans (at a time when Michigan communities desperately need credit unions to provide their members with mortgage loans to help stimulate our economy) many credit unions will need to artificially restrict their exposure to this type of lending.

Additionally, under BASEL III, junior lien mortgage loans are weighted at 100%. Under the NCUA's proposal junior lien mortgage loans are risk weighted at even higher levels from 100% to 150%. Not only are the risk weightings double that of first lien mortgages, the concentration levels are also significantly less than the concentration levels of first mortgages. While it is generally agreed in the industry that junior liens carry significantly more risk, the assigned risk weights appear disproportionate. The proposal does not take into consideration additional risk mitigation controls such as limits on loan to value (LTV) ratios on junior liens when assigning risk weights to such loans.

Additionally, the proposal inexplicably assigns interest rate risk to mortgage-backed investment securities with increasing durations, but requires no capital for interest rate risk to US Treasuries or first mortgages with long durations. A large Michigan credit union has pointed out that under the proposal, a mortgage-backed pass-through investment security, with underlying collateral of 30-year mortgages, has the same interest rate risk as a portfolio of 30-year first mortgage loans on the balance sheet, yet one requires three times the capital, apparently simply due to perceived interest rate risk. Even more illogical, a 30-year US Treasury, which has an even longer duration, requires no additional risk capital. The selective use of interest rate risk weights will likely lead some credit unions to “manage to the regulations” by shifting asset allocations into riskier assets that do not have interest rate risk weights. To highlight another inconsistency in the risk weightings, an average mortgage backed security pool has a life of approximately 7 years, which would be assigned a risk weight of 150%. This is unwarranted given that mortgage backed securities carry less credit risk and less interest rate risk than a 30-year first mortgage loan, yet they are assigned a higher weight.

Interest Rate Risk

The NCUA already has regulations addressing interest rate risk and these regulations require credit unions to have board approved policies in place to mitigate this risk. The NCUA's attempt to incorporate protections against interest rate risk into the risk-based capital proposal is both inefficient and unnecessary. In effect, the proposal requires redundant capital reserves because the proposal double-counts interest rate risk and credit risk, and assumes that credit unions are not hedging interest rate risk. Interest rate risk is regulated outside of risk-based capital for banks, and

the MCUL strongly encourages the NCUA to utilize the existing regulatory framework treating interest rate risk outside of capital requirements in conformity with the system developed and administered by banking regulators.

Mortgage Servicing Risk Weighting

The 250% risk weighting assigned to mortgage servicing is also excessive. With the heavy risk weights assigned to first-lien mortgage loans, many institutions will be looking to sell such loans to remove potential risk from their balance sheet. While removing such risk from a credit union's balance sheet is a useful risk mitigation tool, most credit unions would prefer to retain the servicing on sold mortgage loans. Retaining the servicing allows the credit union to earn non-interest income in the form of servicing fees and of equal importance allows the credit union to retain relationships with their members that credit unions are known for. Properly managed servicing poses minimal risk to credit unions but if the risk weight in the proposed rule is any indication, the NCUA considers this to be very risky behavior.

In conjunction with the ever increasing cost of compliance and the heavy risk weight on first-mortgage loans, this excessive capital penalty will ultimately cause many credit unions to re-evaluate whether they want to be in the business of mortgage lending. Additionally, it will likely cause those that retain this product to re-evaluate whether they should remain portfolio lenders or whether it makes sense—from a balance sheet protection standpoint—to begin selling off their loans to the secondary market. While this may make sense from a regulatory capital perspective, given the fact that an extremely significant portion of the cause of the recent financial turmoil was due to the misalignment of interests inherent in non-portfolio lending, this outcome is not desirable from a public policy standpoint. Portfolio lenders, who have a large financial stake in the successful outcome of the loan transaction (as they ultimately bear the consequences of poor underwriting decisions) should not be disadvantaged if they can demonstrate that they effectively mitigate their risk.

The NCUA appears to completely disregard the CFPB mortgage rules that provide “qualified mortgage” (QM) status for certain loans made by small creditors if those specific types of loans are held in portfolio and not sold or transferred for three years after consummation. Credit unions will be required to analyze and weigh the risk of maintaining loans in portfolio and how doing so impacts their risk based ratio calculation as compared to selling their loans, and thereby losing the benefit of the safe harbor protection. The result of the NCUA's proposed rule appears to be contrary to the CFPB's intention of encouraging credit unions to maintain loans in portfolio. Credit unions maintaining their loans in portfolio have no incentive to underwrite loans that members do not have the ability to repay. In fact, it was other larger industry actors that took liberties by underwriting loans without regard to the consumers' ability to repay. These loans were sold and securitized, and later defaulted, contributing to the collapse of the mortgage market. The MCUL recommends a reduction in this unjustified risk weighting, to better align with the policy behind the CFPB's Ability-to-Repay rules.

Business Loans

The MCUL objects to the notion that risk ratings for credit unions should become more onerous based on a tiered percentage of assets in business loans. Under the proposal, business loans are risk-rated excessively high compared to consumer loans. The ratings of 100% for 0–15% of credit union assets, 150% for 15-25% of assets and 200% for 25% of assets in business loans is completely out of line with those found in BASEL III for small banks, and the justification for the structure as well as the asset levels chosen is not clear. While the MCUL suspects that this determination was based on a concern over concentration risk, BASEL III weights commercial loans at 100% regardless of the concentration. Concentration risk should continue to be addressed through the examination and supervisory process, not through risk weighting in the capital formula.

Banking regulators recognize, as should the NCUA, that the risk of an individual business loan does not change based on the number of other business loans the credit union is holding. Further, the proposed approach fails to take into consideration the actual risk presented in any particular loan—for example, a member business loan with a 60% loan to value (LTV) poses a much lower level of risk than one with an 80% LTV. The risk weight should be equal for all business loans and any concentration risk issues should be addressed through the examination and supervision process.

One Michigan credit union provided the following illustration of the negative impact of this area of the proposed rule: 5.0% annual growth in their member business lending portfolio would reduce the credit unions Risk-Based Net Worth ratio by 20 basis points in a matter of only three years. Any growth in excess of this would result in a 15% concentration and would have a much more negative impact on the credit union's ability to service small businesses in the community due to additional decreases in the Risk-Based Net Worth ratio.

Importantly the FCUA and its related regulations already limit the aggregate amount of member business loans (12.25% of assets) which represents a very significant broad based means by which exposure to MBL risks are mitigated (albeit in an unnecessarily regressive means). Further limiting MBL exposure by disadvantaging these loans through the capital retention formula sends a clear message to credit unions that they should put the brakes on small business lending.

Another likely unintended consequence of this proposed rule is the way it will harm credit unions with a Low Income Credit Union (LICU) designation. LICUs are currently exempt from Member Business Loan limits and will be negatively impacted by the way in which the proposed rule weights MBLs. Analysis of historical loss ratios shows that credit unions with a higher concentration in MBLs have lower overall MBL losses than their counterparts with lower concentrations. The NCUA's proposal would penalize a credit union for being prudent in estimation of potential credit losses, and would degrade one of the primary benefits for institutions and members under the LICU designation.

Restriction on Dividends

Currently credit unions with a depleted undivided earnings balance may pay dividends out of the regular reserve account without regulatory approval, as long as the credit union will remain, at a minimum, adequately capitalized. The proposal changes the ability for credit unions to pay dividends, allowing well-capitalized credit unions to pay dividends only if their net worth classification does not fall below adequately capitalized, unless they receive NCUA approval. Dividend payments would not be considered operating losses and could not be paid out of secondary capital.

The proposed rule would prohibit a credit union currently classified as “well capitalized” from paying dividend rates that are higher than the prevailing market rates, declaring a non-repetitive dividend, or approving a refund of interest if, after the payment of the dividend, the credit union's net worth ratio would decline to less than 6% in the current quarter.

While the MCUL understands the need for balanced restrictions on such dividend payments to ensure that a credit union retains a strong net worth, many Michigan credit unions pay an annual dividend or bonus to their membership. If a credit union's capital is taken below a certain level and the NCUA functionally prohibits a dividend payment to the membership, this would eliminate a valued and expected benefit of membership, and potentially drive credit union members elsewhere.

Goodwill/Intangible Assets

The proposal contains a glaring flaw in that it penalizes credit unions that purchase troubled credit union assets that contain intangibles. The proposed regulation would have a chilling effect on future mergers and would almost certainly increase costs for the NCUSIF when large credit unions become insolvent and face a shortage of willing bidders.

Currently, when accounting for intangibles in a credit union merger, they are not included in the numerator or in the net worth ratio calculation. This causes a reduction in the net worth ratio for non-goodwill intangibles, which are not included in the numerator and are deducted from the numerator when amortized.

Lake Trust Credit Union, currently headquartered in Lansing, Michigan, provides a compelling example of intangibles resulting from a credit union merger and a reduction in net worth ratio. Lake Trust Credit Union merged in a troubled credit union with no equity. Under the current proposal, Lake Trust Credit Union's risk-adjusted equity decreases to the "adequately capitalized" level. The merger provided significant relief for the NCUSIF and Lake Trust Credit Union paid \$41 million in a competitive bidding process. Using the proposed rule, the transaction (which also included intangible assets) would have taken Lake Trust Credit Union's risk-based net worth from 21.2% to 6.7%. If the purchase price were adjusted so as to leave the risk-based net worth at 11%, the NCUSIF would have suffered an additional \$16 million loss. In light of this very negative treatment, no credit union would put their capital position at such serious risk under these circumstances, which will result in fewer voluntary mergers and more liquidations, at greater cost for the NCUSIF.

Another example was the combination of NuUnion Credit Union into Detroit Edison Credit Union to form Lake Trust Credit Union. The merger went smoothly under the existing PCA rules. Under the proposed rule this merger probably would not have occurred at all as the purchase accounting rules added an additional \$29 million of intangible assets which would immediately reduce the risk-based capital ratio down to 6.9%.

This proposal will have the unintended consequence of discouraging otherwise eligible suitors for troubled credit unions. Why would a credit union take on a \$400 million credit union without equity, when under the risk-based capital analysis, intangible assets and goodwill are treated so negatively in the capital formula?

The MCUL strongly encourages the NCUA to revisit this aspect of the proposal, and not create a disincentive for healthy credit unions to proactively assist troubled credit unions. Failure to correct this will result in fewer mergers, more liquidations and higher losses for the NCUSIF.

NCUSIF Deposit

The proposal requires credit unions to exclude the 1% NCUSIF deposit from both the numerator and denominator of the Risk-Based Net Worth calculation. The MCUL believes the NCUA should not require credit unions to exclude the NCUSIF deposit in calculating their RBNW. Removing the value of such deposits from the calculation of RBNW only creates additional doubt for credit unions regarding the value of the deposit and whether or not credit unions can expect any of the deposit back.

Credit Union Service Organizations (CUSOs)

CUSOs play an integral role for credit unions of all sizes and complexity. For decades, credit unions have effectively utilized CUSOs to assist in reducing costs, generating income and providing services to members through collaboration which they may not otherwise have been able to individually. Investments in CUSOs have allowed credit unions the ability to access services and expertise at a far more reasonable cost than hiring experts internally or contracting with other, more expensive service providers. With the benefits a CUSO provides, the risk weighting of 250% is grossly overstated.

The NCUA's CUSO regulation requires an attorney opinion that the risk to the credit union is limited to the credit union's investment or loan. If that is accurate the credit union's investment risk should be no more than 100%. It appears that the NCUA is building in a one-size fits all CUSO operational

risk component. The message received by credit unions is to work with non-CUSO service providers where capital reserves are not required.

NCUA is presenting a “one-size fits all” approach with a 250% risk weighting. All CUSOs are not alike and the proposal does not take into consideration the CUSO investment risk analysis for: (a) what type of service the CUSO provides; (b) whether the investment represents necessary operational expenses that would be otherwise incurred; (c) whether the amount invested is material; (d) whether the CUSO has a history of profitability; or (e) whether the investment amount has been fully recovered by the credit union through savings or income.

The MCUL understands that the CUSO investment risk rating was calculated in an attempt to incorporate an approach similar to how BASEL risk rates bank equity investments are treated. The comparison is inappropriate for several reasons. Banks have the power to make investments in many types of organizations and the value to the bank is measured in the ability to receive income through dividends or upon an equity sale. These bank investments are not made in companies that are serving as collaborative cost sharing platforms. Unlike the banking investment powers, the CUSO risk exposure is limited to an immaterial level. There are only 22 basis points of credit union assets invested in CUSOs industry-wide; less than the annual corporate assessments. Each federal credit union may only invest less than 1% of assets in CUSOs. Credit unions could lose all of their CUSO investments and the loss would not be material yet the upside potential could be very significant. We believe the NCUA would be making a significant mistake by not recognizing the adverse policy implications of applying the BASEL bank investment risk ratings to CUSO investments.

It is the MCUL’s understanding that the NCUA intends to apply the CUSO capital risk rating of 250% to both the initial cash investment value made by the credit union and to the appreciated value in the CUSO. A credit union’s initial investment in a CUSO is carried at the original investment value for call reporting purposes. The value of CUSOs can increase substantially and as a CUSO performs well, the credit union’s investment in the CUSO will see growth – however, this investment is undervalued on the credit unions balance sheet and is carried at the credit union’s original investment price.

The proposal’s approach would ultimately penalize the success of a CUSO by requiring the credit union to set aside additional capital on the profits earned by the CUSO. This would clearly deter credit unions from investing in additional CUSOs and could potentially force credit unions to exit existing CUSO relationships, ultimately impacting products and services offered to members.

Credit unions today are faced with legitimate sustainability challenges. At one time, net interest income was sufficient to pay the operating costs, build reserves and sometimes make special dividend payments to members. With interest rates holding at record low levels, net interest income can no longer cover the operational costs, especially in the areas of personnel, compliance, and technology, as they are increasing at exponential rates. The number of credit unions decreases every year due to many regulatory, internal, and market pressures. CUSOs are a critical tool to help sustain credit unions, and the NCUA’s proposal counterintuitively creates a disincentive for investment in CUSOs. The true risk to the credit union industry isn’t the potential loss of an investment with a CUSO, but rather the risk of failing to effectively utilize one of the movement’s most effective vehicles for sharing risk, reducing costs, and increasing income.

A risk weighting of 100% or less for CUSO investments and loans would better align with the current CUSO regulatory loan limits in place. Additionally, the NCUA should make it a priority to better understand the positive impact CUSOs have as a collaborative tool for credit unions to manage their sustainability risk.

Allowance for Loan Losses

The MCUL believes the 1.25% of risk weighted assets under Allowance for Loan and Lease Losses (ALLL) should be reevaluated and potentially eliminated from the proposal. The Allowance account represents capital retained and available to meet losses and should be accounted for at full value in the calculation. In addition, the Financial Accounting Standards Board (FASB) has proposed significant changes to accounting for receivable credit losses. If adopted and applied to credit unions, the proposed FASB change could increase many financial institutions' ALLL significantly, and would include a requirement to reserve on off-balance sheet commitments including, but not limited to unused revolving line of credit balances. If FASB does not apply to credit unions a distinction between public and private entities, the FASB proposal coupled with the RBC proposal would require reserving on unused lines of credit, which are not currently reported as loans on a credit union's balance sheet (or figured into risk weighted assets). The total reserved would increase significantly, making it impractical for a credit union to maintain the ALLL under 1.25% of risk weighted assets.

Examiner Subjectivity

The MCUL understands that it is not the intent of the NCUA to permit an individual examiner to require a credit union to hold additional capital upon examination. Informally, the NCUA has stated an examiner would have to present their findings to their Regional Supervisor who would then have to escalate the request to the NCUA Board for approval. Unfortunately, the proposal does not read this way and simply states:

Proposed 702.105(b) would provide that minimum capital levels higher than the risk-based capital requirement under this part may be appropriate for individual credit unions. The NCUA may increase individual minimum capital requirement upon its determination that the credit union's capital is or may become inadequate in view of the credit union's circumstances.

Additionally, this section of the proposal provides for specific situations that would allow the NCUA to impose higher capital levels. However, nowhere does the proposal indicate the NCUA Board would make the ultimate determination in requiring additional capital for individual credit unions. The MCUL strongly encourages the NCUA to reevaluate this particular section and provide clarification as to the NCUA's intent and authority in requiring additional capital on an individual credit union basis.

Federal Credit Union Act Authority and the "Complex Credit Union"

The statutory net worth requirement for well-capitalized credit unions at 7% was not set by empirical studies but rather was the result of intense negotiation in the development of the Credit Union Membership Access Act. Bankers, who have a lower net worth requirement wanted to set a high net worth requirement for credit unions to slow the growth of credit unions. Understandably, the credit union industry fought vigorously to avoid unnecessarily high capital levels that would only serve to disadvantage credit unions in the marketplace without providing any needed additional risk mitigation. The NCUA proposal would layer on top of the statutory leverage ratio requirements a risk-based standard that would require credit unions to hold capital at 8% of risk-based assets in order to be considered adequately capitalized and 10.5% to be considered well capitalized. In reviewing the Federal Credit Union Act (FCUA) the new requirement exceeds established authority. Under the FCUA's provisions for complex credit unions:

(d) Risk-based net worth requirement for complex credit unions.—

(1) In general.—The regulations required under subsection (b)(1) of this section shall include a risk-based net worth requirement for insured credit unions that are complex, as defined by the Board based on the portfolios of assets and liabilities of credit unions.

(2) Standard.—The Board shall design the risk-based net worth requirement to take account of any material risks against which the net worth ratio required for an insured credit union to be adequately capitalized may not provide adequate protection.

Credit unions are “complex” under the proposed rule solely by virtue of their size. No support for this approach is found in the FCUA. The FCUA does require that credit unions be “adequately capitalized” but nowhere does it permit the NCUA to arbitrarily create new categories with new thresholds and requirements like those proposed for the “well capitalized” category. At a very fundamental level, the NCUA has exceeded its statutory authority and is therefore without legal mandate to impose these new standards.

GAO Study

The NCUA has indicated that the risk-based capital proposal was developed partly in response to a GAO Study that was released in January of 2012. The study concludes that from January 1, 2008 to June 30, 2011, five corporates and 85 credit unions failed. The study further concludes the 85 failed credit unions were relatively small – accounting for less than 1% of total credit union assets. GAO also found that poor management was the primary reason for the failure of the 85 credit unions.¹ While the GAO’s analysis of PCA and other NCUA enforcement actions highlights opportunities for improvement, ultimately these 85 credit unions did not fail solely due to inadequate capital. In light of this, it is clear that the current proposal would not have prevented the harm it was supposedly designed to protect against.

Timeline for Implementation

The MCUL believes that credit unions must have a longer period than the proposed 18 months to become compliant with any new system. Not only is this 18 month timeframe too short, banks, which have access to capital markets, have five years under BASEL III, to secure additional capital, whereas credit unions, which rely on retained earnings, have only 18 months. Credit unions have very limited means to raise capital under present statute and regulation. It will necessarily take a considerable amount of time to make adjustments within the balance sheet when the rules are suddenly changed. Whether or not significant changes are made to the proposal, the MCUL strongly urges the NCUA to consider an implementation period that is comparable to that given other institutions and that will allow credit unions adequate time to assess the impact of the new system and plan effectively. The MCUL believes a reasonable period of time for implementation, if significant changes are made, would be over a five year period, as was provided by banking regulators.

Conclusion

The Michigan Credit Union League is supportive of a uniform, risk-based capital system. However the proposal does not meet the needs of the industry or adequately address concerns that such a system should be designed to do. As the NCUA attempts to regulate interest rate risk, concentration risk and CUSO investments with this proposal, the agency essentially fails at providing regulatory relief from current, unnecessary regulatory net worth requirements that place credit unions at a disadvantage to competing institutions. The agency creates serious pressures that will drive more mergers and increase costs to the NCUSIF – not a result that either the NCUA or the industry would see as favorable. More liquidity (i.e. less lending and product offering), and less CUSO collaboration will result from this regulation, both of which are negative and counterproductive results for the industry and the members we serve.

The credit union not-for-profit model does not incent appropriate risk-taking like the bank model, which presents positives and negatives. With most credit unions currently operating with loan-to-asset ratios at 60% or less, and delinquency rates under 1%, our industry needs more encouragement to take lending risk, not less. The NCUA should not focus solely on the protection

¹ GAO-12-247 <http://www.gao.gov/assets/590/587409.pdf>

of the NCUSIF (already at record high levels), and should encourage more lending and economic stimulus, especially for mortgage and small business loans. Rather than promote a well-tailored solution that provides both adequate safeguards and appropriate regulatory relief from unnecessary capital requirements, the current proposal adds to the growing, suffocating regulatory burden that hinders the growth and vitality of the credit union industry in Michigan.

The MCUL strongly encourages the NCUA to reevaluate the proposal in light of the issues presented herein and start with a “clean slate” as this proposal will disadvantage credit unions in the marketplace, choke off innovation and cooperation and stifle appropriate risk taking—all to the detriment of credit union members and local neighborhoods across Michigan that need and want robust and engaged credit unions providing their expertise and capital as key drivers of economic growth. If the NCUA can’t table this proposal altogether, it should at a minimum listen to credit union comments from Michigan and across the country, and make significant modifications to ensure that it will not disadvantage the credit union charter by creating greater disparity between the regulatory net worth requirements for credit unions and banks. The MCUL recognizes that the NCUA’s intent is and should remain the promotion of a safe, strong, and healthy credit union industry, but it is worth noting that the current 7% net worth requirement was sufficient to sustain the credit union industry through the recent financial crisis, and credit unions did not require any taxpayer bailout. The MCUL believes the NCUA is listening and looks forward to significant modifications to the proposal that will best serve the credit union industry and avoid any potential negative consequences for currently affected credit unions and those that will be in the future.

Sincerely,

A handwritten signature in black ink, appearing to read 'DA', with a stylized flourish at the end.

Dave Adams
Chief Executive Officer