

Key Issues from Washington, D.C.

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#fixRBC

www.cuna.org/rbc

Key Elements

- Directly affects FICUs of over \$50 Million
- Establishes new risk based capital standards
- Covered well capitalized CU would have to have at least 7% NW AND 10.5% RBC
- NCUA would have the authority to impose even higher RBC requirements, case by case
- Higher capital for CUs with concentrations in real estate loans, MBLs, & CUSO investments
- Effective within 18 months of adoption
- Comments are due May 28

Impact

- If unchanged NCUA's RBC proposal has the potential to impact credit unions much more than the overall level of risk necessitates
- Credit unions would have to raise more than \$7 Billion in capital to maintain current capital buffers

Why is NCUA Proposing This?

- NCUSIF losses due to failed credit unions with inadequate capital
- BASEL III
- GAO Report
- NCUA OIG Reports

Who's Affected?

- 14 low-income designated credit unions with assets over \$40 million
- 14 low-income designated credit unions with assets over \$50 million

Does NCUA Have Authority?

- NCUA has authority to regulate prompt corrective action, and address risk based net worth
- But, there are real concerns that the proposal contradicts the FCU Act

CUNA's Comprehensive Strategy to Radically Improve the RBC Proposal

- Coordinate with the Leagues
- Develop Thorough Analyses
- Prepare Our Members
- Letter from House Members, Senator D'Amato
- Meet with NCUA Board
- Facilitate CU Involvement

What about legal action?

Because this is the most important rule facing the credit union system at this time, we will not fail to pursue any area of recourse necessary for our members

CUNA's Comment Letter to NCUA

Improvements NCUA must make:

- Peg RBC to the adequately capitalized level
- Remove additional case by case capital
- Improve risk weightings for mortgages, mortgage serving, long term assets, etc.
- Provide better treatment for goodwill and NCUSIF deposit
- Much longer transition period

Credit unions are *urged* to:

- **Determine if they are affected.** Most credit unions above \$40m in assets will be affected in just a few years, even if they are under \$50m now.
- **Determine how they are affected.** CUNA's calculator lets CUs change their assets mix to see the future under the proposal.
- **Take action** by sending comment letters by the **May 28 deadline**.

CUNA Resources CUNA.ORG

- Videos, including our latest posted last week
- March 19 webinar archive
- Proposal's summary
- CUNA's calculator, shows effects of growth and changes in the balance sheet, and weights
- Comparisons of risk weights, current, proposal, Basel
- State by state CU lists, ratios and classifications: Current, Proposal, Basel
- Cuna.org.rbc "See all resources"



ACTION CENTER

Action Alert

OUR CONCERNS ABOUT NCUA'S RISK BASED CAPITAL PROPOSAL

- NCUA has not justified the need for the rule adequately;
- NCUA would assume additional authority to impose even higher capital requirements on individual credit unions that could exceed even well-capitalized level requirements;
- NCUA would require covered credit unions to subtract good will from net worth when calculating their risk based capital requirements (note: this is consistent with Basel III);
- NCUA would also require the National Credit Union Share Insurance Fund 1% deposit to be ignored in the risk-based capital calculation;
- More credit unions than NCUA has indicated would be impacted as their net worth would fall to just barely over well-capitalized or adequately capitalized levels;
- More time is needed for the rule to be phased in;
- A number of the risk weightings, especially for member business loan and mortgage concentrations as well as for CUSO investments, do not appear to be properly calibrated for credit unions. Using higher risk weights on long-term assets to deal with interest-rate risk is misleading without considering liability maturities.


More detailed information about the proposal can be found [here](#). CUNA has prepared an "Inside Exchange" video on how to write effective comment letters, which can be seen [here](#).

Compose Your Message

Recipients

Unite for Good

Share your stories.
Demonstrate the
credit union
difference.



CUNA Inside Exchange

Get an inside look at
pressing issues
impacting the credit
union industry.

What Credit Unions Are Doing



Comment Letters Are Key

- We need to show other DC stakeholders why this rule is important – and get them to put pressure on NCUA
 - Goal of 1,000 letters

POSITIVE CHANGES ARE POSSIBLE

- NCUA Board Ch. Debbie Matz has said the Board will consider **significant changes** in the proposal
- That is CUNA's Top Regulatory goal

**Working together,
important changes are
possible!**

Additional Issues

- Don't Tax My Credit Union-Update
- NCUA's New Board Member
- International Remittance Transfers
- Privacy Notices
- Mortgage Issues
- Payments