

**YOUNG, SHERON**

---

**From:** RUPP, MARY F  
**Sent:** Monday, October 03, 2005 9:37 AM  
**To:** YOUNG, SHERON  
**Subject:** FW: Beverley Rutherford, Comments on Proposed Rule 742, RegFlex Program

---

**From:** Beverley Rutherford [mailto:beverley.rutherford@vacu.org]  
**Sent:** Tuesday, September 27, 2005 4:45 PM  
**To:** \_Regulatory Comments  
**Subject:** Beverley Rutherford, Comments on Proposed Rule 742, RegFlex Program

Virginia Credit Union appreciates the opportunity to comment on the proposed rule modifying the minimum net worth and CAMEL criteria for eligibility for NCUA's Regulatory Flexibility Program. I am responding on behalf of a 1.2 billion dollar, state-chartered credit union in Virginia.

We support NCUA's proposal to reduce the net worth level to 7% to qualify for RegFlex. However, we do feel the requirement to maintain that level for six consecutive quarters seems excessive. There could be instances where a credit union dropped below 7% for one quarter, but met the 7% net worth requirement for the other five quarters. In this example this credit union, assuming the CAMEL rating is 2 or better, would have to apply for the RegFlex designation. We propose that if only one quarter within the past six quarters the net worth declines to under 7%, the credit union would still qualify for RegFlex without any additional application or approval.

As indicated above, we agree with the 7% net worth level. However, we feel that the CAMEL rating ranges for earnings need to be reconsidered in light of NCUA's proposal to lower net worth levels. If a credit union maintains a net worth level of slightly over 7%, we feel a 1% ROA requirement for a 1 CAMEL rating may be too high. A credit union achieving a 1% ROA in this scenario would need to be growing at a rate of well over 10% to keep from growing their net worth ratio at this level of earnings. A credit union may not desire to grow that fast and in that case a much lower ROA would be sufficient to maintain financial soundness.

Should you have any questions about our comments, feel free to contact me. Thank you.

Beverley F. Rutherford, CIA, CUCE  
 Vice President/Compliance  
 Virginia Credit Union, Inc.  
 Richmond, Virginia  
 (804) 560-5665  
 beverley.rutherford@vacu.org

\*\*\*\*\*  
 This E-Mail may contain confidential and privileged information. It is intended solely for the recipient(s) indicated. Any review, use, or distribution by anyone other than the intended recipient(s) is strictly prohibited. If you have received this E-Mail in error or are not the intended recipient, please notify the sender and delete all copies immediately.

10/3/2005

\*\*\*\*\*