

# Henrico

Federal Credit Union  
[www.henricofcu.org](http://www.henricofcu.org)

9401 West Broad St • Henrico, VA 23294  
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March 6, 2014

The Honorable Debbie Matz, Chairman  
The Honorable Michael Fryzel, Board Member  
The Honorable Richard Metsger, Board Member  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

RE: RIN 3133-AD77

Dear Chairman Matz, Board Member Fryzel, and Board Member Metsger:

On behalf of Henrico Federal Credit Union, I am writing you regarding the National Credit Union Administration's (NCUA) proposed rule entitled Prompt Corrective Action – Risk-Based Capital.

I am concerned that the proposed rule, as written, will stymie growth and deter lending among credit unions who have demonstrated a long-term ability to manage risk and net worth. Specifically, I encourage the Board to consider the following:

- The proposed rule applies the same risk-weights to all junior lien real estate loans regardless of LTV/CLTV. Many credit unions have established LTV/CLTV limits on junior lien real estate loans of 75% - 80% (or less) as a means of managing risk. Consideration should be given to the equity position and not just the lien position when setting risk-weights.
- The proposed rule applies a 20 percent risk-weight to cash on deposit including Federal Reserve balances. Many credit unions have moved "overnight" accounts to the Federal Reserve as opposed to maintaining those accounts as uninsured deposits with a Corporate Credit Union as a means of managing risk. Consideration should be given to assigning a zero percent risk-weight to Federal Reserve account balances.
- The proposed rule applies a 75 percent risk-weight to investments with a weighted-average life of greater than three years, but less than or equal to five years (with an

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increasing risk-weight of up to 200 percent for investments with a weighted-average life greater than 10 years) while FHA and VA residential mortgages are assigned a 20 percent risk-weight regardless of weighted-average life. Many credit unions have invested in FHLMC/FNMA mortgage-backed securities with an implicit U.S. Government guarantee as a means to manage risk. Consideration should be given to assigning a lower risk-weight to investments with implicit U.S. Government guarantees.

- The proposed rule applies a 100 percent risk-weight to investments in fixed assets (such as buildings, furniture and equipment). All credit unions must invest in fixed assets to serve the immediate and future needs of their members. The current 5% cap on fixed assets helps to manage risk and credit unions seeking to exceed the 5% cap must obtain prior NCUA approval. Consideration should be given to assigning a lower risk-weight to investments in fixed assets when the 5% cap is maintained.

I appreciate the opportunity to share our concerns on the recently published proposed rule.

Sincerely,



Chris Williams  
President/CEO