

May 8, 2014

Mr. Gerard Poliquin
Secretary, NCUA Board
1775 Duke Street
Alexandria, VA 223124 – 3428

RE: Risk Based Capital (RBC) Proposal

Thank you for the opportunity to comment on the proposed RBC regulation.

The proposed regulation is deficient on many levels; however, the most glaring examples can be found in the area of assigning risk weights to the various asset categories. It is difficult to understand the logic used to develop the weighting system, with the most baffling display being that two times more capital is required for any first mortgage originated which is over 35 percent of assets versus a first mortgage that is less than 25 percent of assets.

Credit Unions take pride in helping members, and part of this ability to help members; particularly in providing mortgage loans, is that we are close to our members. Knowledge of the member applying for a loan allows for very sound underwriting which greatly reduces risk.

When each member goes through the same sound underwriting process; it makes no sense then to demand two times more capital than that which is required of banks, based solely the premise that the mortgage comprises a part of the portfolio that is in the over 35 percent of assets category.

The justification provided in the proposed regulation is that the current risk based weighting, as shown in Table 9 on page 11197, is much higher than the proposed new weighting. It is incomprehensible that the completely flawed system presently in place is used as support for setting the new risk weights. Note that the current risk weighting shown in Table 9; as bad as it may be, is not the worst part of the present reporting system. The present system does not measure short term mortgage loans properly because it ignores the cash flows that the borrower has contractually obligated to pay over next five years and instead looks only at loans with maturity dates within 5 years and defines these as short term mortgages, effectively increasing the amount of long term mortgages in the calculation.

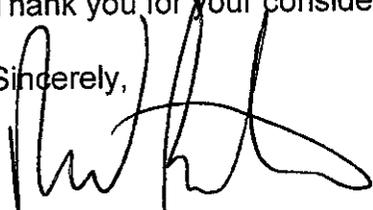
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Page 2

I am well aware of how difficult it is to make changes once reporting requirements are put in place; as I was completely ignored by the NCUA over the past several years as I attempted to get the aforementioned long term real estate measurement rule changed. Therefore, I am fearful that if we are not able to develop a much more reasonable final RBC regulation, our industry will be burdened by a rule that penalizes members far into the future.

The proposed RBC regulation requires improvement in numerous areas. It is suggested that a representative group of credit union professionals be given a voice at the table beyond just these comment letters as part of the process of developing a final regulation that is in the best interests of serving credit union members. This will help to achieve a final regulation that is beneficial to credit unions and their members.

Thank you for your consideration

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard Putrelo', written over the word 'Sincerely,'.

Richard Putrelo
Controller
Pittsford Federal Credit Union