



MAY19'14 PM 2:01 BOARD

May 12, 2014

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

Dear Mr. Poliquin:

I am writing on behalf of Utica Gas & Electric Federal Credit Union, a \$56 million asset credit union serving nearly 2,500 members in New York's Mohawk Valley region. Utica Gas & Electric Federal Credit Union appreciates the opportunity to provide our comments to the National Credit Union Administration (NCUA) on the proposed rule regarding Prompt Corrective Action, Risk Based Net Worth.

Utica Gas & Electric FCU supports a more sophisticated risk based capital framework for credit unions and strongly believes the proper framework will guard against credit and liquidity risks. However, in our opinion, the proposal does not adequately meet this intent and instead puts credit unions in an unfair disadvantage to banks because, as written, the proposal is more onerous than the risk based capital requirements for banks. In addition, we are concerned with the proposal because a number of the risk weightings, especially for member business loans and mortgage loan concentrations do not appear to be properly calibrated for credit unions. These inadequacies coupled with the fact that 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, requires that the proposal be revised to address these concerns before any rule is finalized.

In addition to the above, the proposal's risk weightings for corporate credit union perpetual capital, CUSO investments and investments of 5-10 and over 10 years in maturity assume, incorrectly, that they are inherently more risky. We believe the risks associated with these items should be reevaluated and the risk weightings adjusted accordingly to reflect the actual risk associated with each.

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Finally, in order to ensure all credit unions have the tools needed to manage their risk and capital levels under any risk based capital system; all credit unions not just low-income designated credit unions must have access to supplemental capital. The NCUA is on record as supporting this position and should only make changes to the risk based capital requirements if all credit unions have access to supplemental capital. Doing otherwise further disadvantages credit unions.

In sum, Utica Gas & Electric Federal Credit Union supports an enhanced risk based net worth requirements. However, without significant improvements, the proposal will not create such a system. We ask the NCUA to reconsider its approach and revise the proposal, taking into account the concerns expressed above.

Thank you again for the opportunity to comment on the proposed rule.

Sincerely,

A handwritten signature in black ink, appearing to read "John Deecher", with a long horizontal flourish extending to the right.

John Deecher
Chief Executive Officer
Utica Gas & Electric Federal Credit Union