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May 20, 2014

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

Re: Comments on Proposed Rule: PCA – Risked Based Capital

Dear Mr. Poliquin:

I agree that the present method used to calculate the risk based net worth ratio needs to be made more consistent with the method used in the banking industry. However, I have several issues relating to the proposed risk based capital rule.

NCUSIF Deposit – The Administration should reconsider the deduction of NCUSIF deposit from assets and equity. This appears to imply that the deposit is worthless.

Investments – The proposed rule bases the risk weighting on years to maturity. This reflects interest rate risk but does not take credit risk into account.

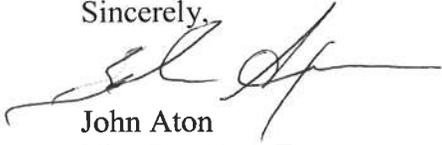
Loans – Lumping all loans of a given type together oversimplifies the measurement of risk in a given loan portfolio. For example, all non-delinquent first mortgage loans up to 25% of assets are assigned a risk weight of .50. This makes no allowance for characteristics such as fixed or variable rates, maturities over or under fifteen years, jumbo status and credit quality.

Liabilities – The liability side of the balance sheet is completely ignored. The funding mix can have significant impact on enterprise risk.

Enforcement – The proposal allows the Administration to impose even higher capital requirements on a case by case basis. This is a very broad authority without being clearly defined.

Implementation – The Administration is estimating a 12-18 month timeline for implementation. This timeline should be extended to allow credit unions to make necessary changes in their balance sheets. In addition, it appears that call report will have to be expanded to provide the data necessary to calculate risk based capital. This will impose a hardship on the smallest credit unions. Consideration should be given to exempting or simplifying risk based capital for credit unions below \$10 million.

Sincerely,

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

John Aton  
Vice President Finance