



Permian Basin Chapter of Credit Unions

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

Dear Mr. Poliquin,

We appreciate the opportunity to comment on NCUA's Proposed Risk-Based Capital (RBC)– PCA Regulation. We understand and agree with the idea of a Risk Based approach to Capital requirements as long as it is consistent with the FDIC's BASEL III regulation for Community Banks. However, we feel that the proposed regulation is more restrictive than BASEL III and will ultimately hurt the industry and reduce our ability to compete with our banking counterparts.

We represent the 20 credit unions, totaling \$1.6 billion in total assets, and serving over 160,000 members in the Permian Basin of West Texas, primarily Midland and Odessa. Both Midland and Odessa are cities with unemployment numbers that are among the lowest in the country, typically the next closest area is North Dakota. As such, we are all experiencing a current economic and industrial boom. All businesses, including banks are employing growth strategies. We are concerned that this regulation will inhibit our ability to compete and to grow, and it will reduce the financial options for our potential membership, which totals over 500,000 citizens.

Our concerns are in the following areas:

- We believe that the current framework for capital requirements and Prompt Corrective Action outlined in Part 702 of NCUA Rules and Regulations has worked well and is sufficient. Credit unions just came through the worst financial crisis since the Great Depression in good shape...certainly better than the banking industry.
- Compared to the current Risk-Based Net Worth requirement, the RBC increases the risk weighting for Member Business Loans, Variable Rate 1st Mortgages, CUSO Investments, and Investments with Maturities exceeding 5 years, Consumer Loans, and the NCUSIF deposit. This could discourage credit unions from offering these services, which would be a disservice to members.
- NCUA indicates that it intends to implement a method closer to the BASEL III methodology. However, BASEL III is primarily concerned with Credit Risk, while RBC considers Credit, Interest-Rate, Concentration, Liquidity, and Operational Risks. There is no justification why the NCUA's proposed methodology is so much broader than BASEL III.
- We object to the ability for an NCUA Examiner to be able to subjectively require additional capital without having detailed circumstances defined under which the additional capital could be required.
- We have 8 credit unions that are under the \$50 million threshold, and for them the burden to comply with this and any other current regulation they face is significant. Many of them have only one or two employees, yet the estimated impact to these credit unions could be as much as 162 hours to get up to speed with policy

amendments, data collection, and updates to reporting systems and an additional 20 hours annually in addition to the 162 hours needed to complete monthly and quarterly reporting requirements.

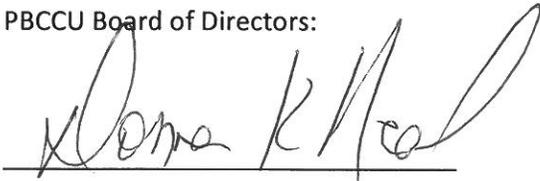
- We also believe that 12-18 months is not sufficient time to implement such a regulation considering that the banks are being given until 2019 to comply with BASEL III.

Again, we believe that a risk-based approach to capital requirements is needed and could benefit the industry. However, we believe the approach that is being proposed will not benefit the industry; moreover we believe it would hurt the industry as it would stifle growth and reduce competition thereby strengthening banks' positions in the financial services market. We hope that you will consider our recommendations in order to make the regulation better for our Chapter's credit unions, the credit union industry, the 97 million members currently being served by credit unions, and the over 200 million potential credit union members that deserve to understand and realize the benefit of credit union membership.

Sincerely,

The Permian Chapter of Credit Unions

PBCCU Board of Directors:



Donna Neal, President



Rudi Wallace, Treasurer

Sean Cahill, Vice President



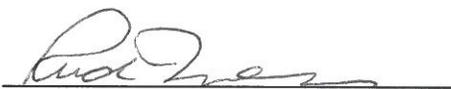
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