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May 23, 2014

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

Via e-mail: regcomments@ncua.gov

RE: Comments on Proposed Rule: Prompt Corrective Action – Risk-Based Capital

Dear Mr. Poliquin:

The Library of Congress Federal Credit Union is a multi-occupational credit union serving the employees of the Library of Congress and their immediate families, 20 employee groups, and two credit unions were acquired through mergers. We currently have 9,500 members and are $225 million in assets. We appreciate the opportunity to submit our comments on this proposed ruling on Prompt Corrective Action – Risk-Based Capital (RBC).

After reviewing your perspectives and the need for a risk-based rule, LCFCU feels strongly that the proposed rule is without merit. As compared to banks, the proposed rule will require more capital for credit unions holding the same assets as banks; placing credit unions at a competitive disadvantage in pricing our products and services and inhibit our ability to respond to our members' financial needs in the future which inevitably push our members to our competitors. Under the Proposed Rule, LCFCU would remain well capitalized without the enforcement of a higher Individual Minimum Capital Requirement (IMCR) but the credit union will be restricted strategically in the future to remain relevant and continue to be the "primary financial institution" of our members.

Proposed risk-weights
There are a number of risk weights that are much higher than those imposed on banks under BASEL III changes. Using higher risk weights on long-term assets to deal with interest-rate risk as it incorporates no Asset-Liability Management factors or other mitigating factors. It has been stated that the NCUA Board is under pressure to implement a new risk-based system; however the "one-size fits all" national formula is not the solution and we strongly request that the NCUA Board, at the minimum, re-evaluate each area of risk ratings and reduce the scope of the proposed rule.

CUSO Investments
We encourage NCUA to support the use of CUSOs to generate net income and to remove all regulatory impediments to CUSOs and collaboration. Not only do credit unions receive cash dividends but more importantly we receive a greater return with cost-sharing models that outpace the dividend paid. Therefore, we are recommending the removal of this risk rating.

NCUSIF 1% Deposit
We recommend not deducting the NCUSIF deposit from the risk-based capital numerator as it is a valid asset and can be attributable to a failed credit union providing an additional buffer against NCUSIF losses in addition to the failed credit union's capital.

Examiner discretion to change risk ratings
The proposed rule gives NCUA the authority to require higher minimum risk-based ratio for individual credit unions based on the discretion of the examiner. Unlike under the existing statutory net worth rules know as Prompt Corrective Action (PCA) regulations, credit unions would no longer have clear rules to avoid prompt corrective action if the agency uses its authority to make "judgments" in changes to their risk ratings. This leads to unfair and inconsistent interpretation and application. This will also diminish the responsibility of the Board of Directors and management of credit unions to make financial judgments, determine the strategic direction and future of the credit union, and oversee policies. Our recommendation is to remove section 702.105(c) from the proposed rule entirely.

Mortgage Loan Servicing Risk Rating
Under the Proposed Rule, no distinction is made between fixed rate mortgages versus variable rate and no consideration has been given to the loan-to-value, credit score, or the maturities. LCFCU real estate portfolio consists of 43.63% fixed rate real estate and 28.20% variable real estate loans to the total loan portfolio. LCFCU has a cap on the amount that will be held in fixed rate mortgages to position for a rising rate environment and anticipates growth in the variable rate mortgages and home equity lines-of-credit. With the proposed rule, there would be no difference between the capital requirement for a mixed or diverse real estate loan portfolio and the capital requirement for a credit union that holds all 30 and 15 year fixed rate mortgages on their balance sheet. LCFCU recommends that the capital requirement for adjustable rate mortgages be lowered and consider reducing the 250% risk rating for fixed rate mortgages which appears excessive when not taking into account LTV, credit score, or short-term mortgage maturities.

Implementation Date
We recommend that the proposed implementation date of eighteen (18) months be extended. The impact of this rule is significant and does not give credit unions sufficient time to plan for the new capital ratio requirements or alter their plans and balance sheet composition in response to the new rule. A much longer period is required and we urge NCUA to consider in light of the multi-year implementation that banks were allowed for BASEL III.

Conclusion
Library of Congress is requesting NCUA to carefully read and weigh all comments from the credit union community and withdraw the proposed "one-size-fits-all" risk-weightings rule and permit the current risk-based net worth requirement remain allowing credit unions to continue to be competitive and relevant in today's financial environment.

Thank you for the opportunity to comment on the proposed rule. If you should have any questions, please contact me at mkin@lcfcu.org and 202-707-2870.

Sincerely,

Marsha L. King
President/CEO

cc: Deborah Matz, Chairman
Michael E. Fryzel, Board Member
Richard Metsger, Board Member

Senator Barbara Mikulski (D) – Legislative Assistant Aaron Edelman
Senator Benjamin Cardin (D) – Tax Counsel Beth Bell
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