



May 27, 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 Prince George's Community Federal Credit Union serves the Community of Prince George's county, its residents, employees and its many family members in surrounding areas. We currently have 15,262 Members and \$ 142,000,000.00 in assets. We appreciate the opportunity to submit comments on NCUA's proposed rule Prompt Corrective Action – Risk-Based Capital (RBC).

Prince George's Community Federal Credit Union feels strongly that this proposed rule is without merit. Furthermore, if the proposed rule is adopted, it will place an undue burden upon credit unions to comply. In fact, most affected credit unions would need to increase the amount of capital held in order to be "well capitalized," and would likely face burdensome risk weightings that would serve as a disincentive to continue or enter into member business and mortgage lending programs, and long-term investments, inevitably pushing members to our competitors.

Proposed risk-weights

A number of the risk weights, especially for member business loan and mortgage concentrations as well as for CUSO investments, do not appear to be properly calibrated for credit unions. They are even higher than what is being imposed on banks by the BASEL III changes. Using higher

risk weights on long-term assets to deal with interest-rate risk is misleading without considering liability maturities and other mitigating factors.

Examiner discretion to change risk ratings

Proposed section 702.105(c) as currently worded is troubling and unclear in that NCUA would assume additional authority to impose higher capital requirements on individual credit unions that could exceed even well capitalized level requirements. Unlike under the existing statutory net worth rules known as Prompt Corrective Action (PCA) regulations, credit unions would no longer have clear rules to avoid prompt corrective action imposed by NCUA if the agency can establish its authority to use “judgment” on a credit union-by-credit union basis to make changes to risk ratings. This section of the proposed rule if left unclarified, could open the door to inconsistent and potentially arbitrary application of the intended rules. In addition, would significantly diminish the responsibility of boards and management to make critical financial judgments, determine the strategic direction of the credit union, and oversee policy. Our recommendation is to remove section 702.105(c) from the proposed rule entirely. However, at the very least amend the language to make clear the intent with respect to the examiner’s authority to use “judgment.”

Implementation Date

We also recommend that the proposed implementation date of eighteen months after becoming final be extended. This proposed time-frame does not give credit unions sufficient lead time to plan for and implement the new risk based capital ratio requirements. This is important as many credit unions may alter their balance sheet composition in response to the rule.

Conclusion

Prince George’s Community Federal Credit Union is requesting NCUA to carefully weigh our comments and consider withdrawing this flawed proposal in favor of opening a new dialogue with the credit union community. At the very least, we urge NCUA to pursue the appropriate amendments to this rule that will ensure a viable, well-balanced risk-based capital system is implemented. We hope to continue our relationship with the NCUA which is based on true dialog and with the aim to do what is right for the credit union industry.

Thank you for the opportunity to comment on the proposed rule. If you should have any questions, please contact me at rschroeder@princegeorgescfcu.org and 301-627-2666.

Sincerely,



Robert Schroeder

President/CEO

Cc: Sen. Barbara Mikulski aaron_edelman@mikulski.senate.gov

Sen. Ben Cardin Beth_Bell@cardin.senate.gov

Rep. Steny Hoyer keith.Abouchar@mail.house.gov