



Universal 1
Credit Union

May 28, 2014

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

Dear Mr. Poliquin:

I appreciate the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

There are aspects of this proposal that are more management focused than supervisory. U1CU has a responsibility to serve our members. U1CU's board and management provide guidance to ensure the credit union functions to provide a safe and sound place for members to conduct their financial transactions, as well as provide a multitude of products and services to meet our membership's financial needs. NCUA examiners, as the regulator, have the role to supervise credit unions while monitoring and assisting in mitigating risk. The proposed rule blurs the lines for examiners, by providing them with authority to cross-over to the management side of this relationship.

NCUA should not grant examiners the authority to impose higher capital requirements on a case-by-case basis. The proposal does not cover the procedures examiners would follow when imposing increased capital requirements on a credit union. The imposition appears to be more subjective and not quantitative – which would allow an examiner to enforce management decisions and direction without knowing or having a vested interest in the credit union's strategic plans. The management of the credit union should be left to the credit union's board and management staff, and not a subjective rule opening the door for examiners to impose authority over the direction of the credit union.

NCUA has proposed higher or tiered weights to investments that are considered riskier. Again, the line of management and supervision has been blurred. NCUA is influencing how credit unions determine what products and services to offer or limit. By providing a structure of tiered weights for a product, NCUA is inhibiting credit union growth and expansion, especially for mortgages and MBLs.

The structure and performance of credit unions indicate risk weight should be less stringent. With the current proposal, credit unions are less likely to expand into new products or will have to limit services

offered to membership. NCUA should not impose a regulation that would make it more difficult to manage the credit union and serve members.

Under the proposed regulation and based on NCUA's calculator, U1CU would remain well-capitalized. Even so, the cushion that U1CU has established to remain well-capitalized would be reduced. To build this back up, U1CU would need to consider other options to raise capital, such as implementing higher fees or shedding riskier investments, which would potentially limit services available to our members. Also, the proposal could limit future growth of the credit union. U1CU is well-capitalized now, but any consideration to expand products and services into riskier investments or products to better serve our members could be impeded.

The proposal cannot be adopted as proposed. NCUA should retract the proposal and redirect attention to finding a proper way to manage risk that continues to provide for the separation of responsibilities - management by the credit union and supervision by the regulator.

Thank you for the opportunity to comment on this proposed rule regarding risk based capital requirements.

Sincerely,

A handwritten signature in cursive script that reads "Lisa Schaefer". The signature is written in black ink and is positioned to the left of the typed name and title.

Lisa Schaefer
Assistant Vice President, Compliance