Greater TEXAS® Federal Credit Union
6411 North Lamar Blvd. Austin, Texas 78752-4088 ✯ (512) 458-2558 ✯ 1-800-749-9732 ✯ www.gtfcu.org

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

RE: Prompt Corrective Action; Risk-Based Capital

Dear Mr. Poliquin:

Greater TEXAS Federal Credit Union (GTFCU) appreciates the opportunity to comment on the proposed rule on Prompt Corrective Action (the "Proposal"). GTFCU a $530 Million federally chartered credit union headquartered in Austin, Texas that serves over 68,000 members. While we are supportive of the concept of risk-based capital for credit unions, we have concerns regarding the logic utilized by NCUA to assess risk as reflected in the parameters detailed in this draft regulation and offer the following comments with intent to improve the Proposal.

1. While we support appropriate risk-based capital ratio measures, however we do not support measures for credit unions that exceed Basel III standards for banks less than $15 billion in assets ("Basel Standards"). Examples of this include the following.
   a. **Residential mortgages** - Residential mortgages guaranteed by the FHA or VA have a 20% risk weighting in the Proposal whereas Basel Standards assign a 0% risk weighting. Also, there are no distinctions or difference between Mortgages and Home Equity loans as both are equally weighted.
   b. **Non-delinquent first mortgage loans if greater than 25% of total assets** - Depending on the concentration level, the Proposal assigns a weighting as high as 100%, which is twice that of Basel Standards. And if a Credit Union securitizes its mortgages and buys them back in the form of MBS or CMO's they would get penalized three times over by the new weighted risk associated with them.
   c. **Other real estate loans if greater than 10% of total assets** - Again, depending on the concentration level, the Proposal exceeds Basel Standards by 50% with a risk weighting as high as 150%.
   d. **Member business loans if greater than 15% of total assets** - The Proposal's 200% risk weighting at the highest concentration is twice the 100% Basel Standards risk weighting.
   e. **Securities guaranteed by U.S. GSAs with a weighted average life greater than one year** - The Proposal assigns up to a 200% risk weighting depending on the weighted average life. Basel Standards assign 20% regardless of the weighted average life.
   f. **Delinquent loans** - The requirements for delinquent loans is 30-days shorter than the Basel iii requirement (90+days vs 60+ days).
   g. **Variable Rate Loans** -The Proposal doesn't address mitigation efforts for variable-rate loans (Student Loans- both government insured and private).
   h. **Supplemental Capital-** Supplemental capital authority is needed now more than ever considering the restrictions brought on by this rule. NCUA should call on Congress to pass a legislation solution that modernizes capital standards to allow supplemental capital and directs the NCUA Board to design a risk-based capital regime for credit unions that takes into account material risks instead of the current proposed rule.

2. The Proposals plug-and-play approach attempts to manage concentration, credit, and interest rate risks by using one simple risk-based model to produce a numeric representation of overall risk, especially with respect to investments that are complex U.S. Government obligations. Proper risk quantification requires additional sophistication and judgment that the Proposal doesn't address and ignores other proven risk management tools and methodologies designed to appropriately quantify risk. In effect, the "one-for-all" approach used in the Proposal will not yield desired results and likely will prompt more harm than good to credit unions safety and soundness.

3. More explanation is needed to explain how the risk-based weights were derived and how they correlate to the appropriate risks needed to mitigate.

4. With respect to the NCUSIF deposit, there is merit to providing a risk weighting rather than excluding it from the calculation, as excluding it has material impact on the risk-based capital ratio.

5. The Proposal's 250% risk weighting for CUSO investments does not permit distinction with respect to risks regarding the wide array of authorized CUSO activities. Additionally, no substantiation for this approach is provided.

6. The Proposal does not uniquely address lower risk of overnight liquidity deposits swept from a corporate credit union to the Federal Reserve and therefore assigns a general 20% risk weighting.

7. The implementation timeframe in the Proposal does not allow for adequate transition and is well short of the FDIC's five-year implementation for banks less than $15 billion in assets.

In summary, we believe the Proposal as written not only has technical flaws as discussed above, but that these flaws could limit much needed credit to members, thereby undermining the credit union's mission to its members. Additionally, the Proposal as written could restrict growth and reduce net worth for credit unions, which is counter to the underlying reason for the Proposal.

Thank you for the opportunity to provide comments on this critical matter.

Sincerely,

Michael Miller
SVP/CFO
Greater TEXAS Federal Credit Union