

DESCO

federal credit union

April 23, 2014

Mr. Gerard Poliquin
Secretary of the NCUA Board
1775 Duke Street
Alexandria, VA 22314

RE: Comments on Proposed Rule: PCA-Risk-Based Capital

Dear Mr. Poliquin:

I would like to offer the following comments on the NCUA's proposed rule regarding risk-based capital:

CUSOs

- The 250 percent risk weight for investments in CUSOs is arbitrary, lacking in sufficient rationale, and does not reflect the actual risk of investing in CUSOs.
- CUSO investments should be weighted at 100%.

Investments

- The proposed rule would unfairly penalize credit unions and shows a bias towards lending and against investments.
- The current risk weights do not accurately reflect the interest rate risk for short-term and middle-term investments such as those under a 5 year maturity.
- An alternative risk-weight system for investments that doesn't penalize credit unions for all investments with over a year maturity is preferred over the proposed rule.

Non-Delinquent First Mortgage Real Estate Loans

- The proposed risk weights for non-delinquent first mortgage real estate loans are too high and penalize too many credit unions for concentrations of loans that are not inherently risky.

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Member Business Loans (MBLs)

- NCUA's proposed rule risk weights for MBLs are punitive for credit unions chartered for the purposes of MBLs.
- NCUA should give credit unions chartered historically for business loan purposes a different set of risk weights that doesn't require them to abandon their core mission for their membership and their MBL portfolio should be given a risk weight of 100 percent and managed through examination and supervision.
- Any final rule should give credit to credit unions with proven minimal losses in business lending.
- Risk weights should also be broken down for types of MBLs.

Corporate Paid-In Capital

- Corporate paid-in capital is risk weighted too high at 200 percent.
- Paid-in capital would be more appropriately weighted at 100 percent to recognize that the corporate credit union structure is now a less risky asset than was during the crisis.

Individual Minimum Capital Requirement

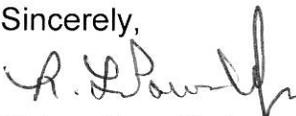
- There are serious concerns about the legal authority of NCUA to enact individual minimum capital requirements.
- This portion of the regulation undermines the entire purpose of the rule.
- The difficulty for credit unions is compounded when the rules are highly subjective.
- This section should be removed from any final rule.

Goodwill

- Removing Goodwill will negatively affect credit unions that have had recent mergers by failing to allow them to fully realize the previously accounted for benefit.
- Removing Goodwill will present a disincentive for healthy credit unions to become merger partners for troubled or failing credit unions because of the possible significant negative effect to their risk-based capital ratio.
- Goodwill should be added back into the numerator for the risk-based capital ratio.

Thank you for the opportunity to comment on this matter.

Sincerely,



R. Lee Powell, Jr.
President/CEO