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.

MAIN OFFICE
P.O. BOX 1546
401 CHILLICOTHE STREET
PORTSMOUTH, OHIO 45662
PHONE: (740) 354-7791
FAX: (740) 353-1483
desco@descofcu.org

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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. L Powell Jr

R. Lee Powell, Jr.
President/CEO