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From what I have gleaned, the regulation makes no distinctions on the types of mortgage loans that credit unions may have in their portfolios. The risk most associated with mortgage lending is interest rate risk. That risk can be mitigated by not making long-term fixed rate loans (only ARMs) but the proposed regulation doesn't seem to take this into account. The collateral risk can also be mitigated by making loans that do not exceed certain loan-to-value ratios but this factor is also absent in the risk weight calculation. It appears that all mortgage loans are treated the same when in practice, there can be safeguards in place to eliminate a lot of the risk inherent in this type of lending. Furthermore, there appears to be a disconnect between the risk weight assigned to mortgage loans (where the highest weight is 1.00) and investments >5 to 10 years which are assigned a weight of 1.5. Federal credit union can only invest in government guaranteed/insured investments which (in theory) will never cause a loss if held to maturity. Investments with maturities greater than 10 years have a risk weight of 2.00. So a 15 year mortgage, which in addition to interest rate risk carries collateral risk and credit risk has a lower risk weight than a US Government backed investment for the same term?

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