From:	Guy Muraoka
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Friday, April 25, 2014 3:30:06 PM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Kahului Federal Credit Union, which serves the people who live, work or worship in the Kahului, Paia, Spreckelsville and Kuau areas. We have 4,918 members and $56,979,874 in assets. Kahului Federal Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

How would your credit union be affected by the proposal?
Although our credit union will not be immediately impacted by this rule, we are commenting today, because of any significant changes to our balance sheet could place us at risk.

Do you agree this new proposal is necessary?
The proposed Risk Based Capital rule has some merit, but I feel that at this time it is a knee-jerk response to what has happened to the financial industry. Credit unions have withstood these hard economic times because of their strong net worth. To put additional rules into affect would be detrimental and burdensome to our overall operations.

Do you agree NCUA should be able to impose higher capital requirements on credit unions on a case by case basis?
I am against allowing NCUA having the authority to impose higher capital requirements on credit unions on a case by case basis.
1. Without any written guidelines, it would be left up to the field examiner to make these judgements calls.
2. There is no set limits.

Do you agree NCUA should be able to restrict dividend payments as the proposal would provide?
I am totally against giving NCUA the power to restrict dividend payments. In essence, NCUA could stop all dividend payments to members in its attempt to rebuild capital. This would lead to reputation risk and possibly the demise of the credit union.

Do you have other concerns with the proposal? Please explain.
1. This risk based capital calculation is based strictly on the assets side of the balance sheet. It does not take into account that credit unions have properly matched members' shares to its long term at-risk assets.
2. There are different demographics for every state. For instance, in Hawaii, our members finance mortgages with us because they want to work with a local servicer. We meet the ever rising costs of buying a home, we were forced to offer longer termed mortgages to make the members' monthly payments affordable. With this new rule, we are penalized for meeting the needs of our members.
3. In Hawaii, the demand for consumer loans is not high. We cannot compete with the Wells Fargos and Citibanks to get indirect auto loans. Given this scenario, we are faced with having to place excess funds into various investments. If we continue to purchase low paying investments in the 1-3 year maturity range, we will eventually be in the red. If we extend the terms to 3-5 years, we run the risk of being downgraded based on the Risk Based capital program. Our net worth is 15% which is twice as much as the NCUA requirement, yet we may not pass the risk based capital requirements.

Our credit union has been in existence for nearly 60 years and we have seen the good times and endured the bad times. Our industry has survived, so why tinker with a good thing.

Summary of your position:
I am the President/CEO of the Kahului Federal Credit Union. I have held this position since 1988.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

Guy Muraoka
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