April 25, 2014

MAY05'14 AM10:39 BOARD

National Credit Union Administration
Gerald Poliquin, Secretary of the Board
1775 Duke St
Alexandria, VA 22314-3428

Re: **Risk Based Capital - Comment Letter**

Dear Mr. Poliquin

We oppose the recently proposed Risk Based Capital Rule (RBCR) weightings because it's too restrictive and will severely impact the credit union movement's ability to grow. In essence, the NCUA is attempting to regulate natural-person credit union balance sheets to conform to more highly leveraged banking industry balance sheets.

We believe that credit union management is responsible for managing our balance sheet risks. Concentrations can be analyzed by the NCUA on a case-by-case basis during the examination process and quarterly 5300 call reports. We agree with the concept of RBC; however the approach is not in sync with the credit union's cooperative model of "serving our members" and offering expanded services to them, including potential members.

By using higher risk-weights on longer term investments addresses only interest rate risk. It also only takes into account only one side of the balance sheet since liability maturities and non-maturing deposits are disregarded.

The risk weightings seem arbitrary and highly penalize credit unions serving members needs for residential 1st mortgages as if they were speculative commercial mortgages.

The unintended consequences are that credit unions will have to sacrifice interest income for additional liquidity to protect the NCUSIF. This will reduce our bottom line, which will negatively impact net worth growth.

In addition, there are huge gaps between the Net Worth ratios and RBNW ratios; for example to remain "Well Capitalized" the ratios are 7.0% and 10.5%. We agree with a higher RBC ratio requirement; however the difference between the two net worth ratios is **50%**. We strongly recommend the RBC ratios be re-evaluated to more realistic levels. A 50% buffer greatly penalizes many "Well Capitalized" credit unions including ours.

Our credit union has less than 3% in 30-Year 1st mortgages and only 8.9% in total 1st Mortgages but we are included with other credit unions with up to 25%. There is also no distinction between 15Y and 30Y 1st mortgages that have higher IRR. The investment weights are also an unreasonable. An investment less than 1 year has a weight of 20% while an investment just over 3 years is weighted 75%. In short, the weightings for 1st mortgages and investment must be revised.

We believe the RBC weights have to be adjusted to more reasonable levels and the RBC ratios need to align more closely to Net Worth ratios.

Sincerely,

Lou Papageorge
Vice President

265 Bic Drive • Milford, CT 06461 • 203-783-1103 • 800-992-8472 • Fax: 203-783-1131