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April 28, 2014

Gerard Poliquin,  
Secretary of the Board  
National Credit union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

Dear Mr. Poliquin:

On behalf of Guardian Federal Credit Union, I would like to comment on the National Credit Union Administration (NCUA) proposed risk based capital rule. Guardian has several concerns about the potential negative impact of the proposed rule on credit unions if finalized in its current form. I also offer some suggested improvements in the rule for your consideration as you move forward in the rulemaking process.

In general I support a conservative approach to capital reform. Risk based capital for credit unions has been on the table for a number of years. My concern is the current proposal is overly conservative and somewhat unwarranted given the history of credit union performance at large during the most recent economic crisis. This regulation as proposed treats all credit unions as if they were all bad players without regard for their size, the level of experience within the organization and most importantly the past performance during difficult times.

For risk-based capital to be implemented correctly it must be part of overall capital and prompt corrective action reform. This should include lower leverage ratios for well and adequately capitalized credit unions, as well as authority for supplemental capital for federally insured credit unions. There is no law or regulation that prevents supplemental capital from being considered for all credit unions. This regulation is an excellent opportunity for NCUA to draft and put into the final regulation the guidelines and specifications for credit unions to supplement their capital with subordinated debt or some other conservative capital building option.

The risk based capital requirements should be in relation to the adequately capitalized, 6 percent net worth ratio (as the Federal Credit Union Act requires), and not to the well capitalized level of 7 percent -- and risk weightings must be properly calibrated. The proposed rule also creates a dual system with statutory net worth requirements under PCA at 7% to be well capitalized and 10.5% of risk weighted assets to be well capitalized. This raises a question of which is the more important of the two ratios and which should have the strategic priority in credit union risk management decisions. Most importantly, no rule should afford any greater authority for an individual examiner to impose additional capital requirements on a case-by-case basis. It is absolutely essential that credit unions understand clearly what their capital and net worth expectations will be.

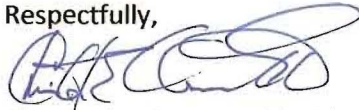
The effective date of the final rule implementation should be end of year 2018. Once the regulation is final credit union earnings will have to be balanced with the risk weighting of the assets. Some investments will have to be shortened. Some loans will have to be divested - or at least the position in those loan categories adjusted. Credit unions need a minimum of three full years to prepare



for this regulation once it is finalized. To do otherwise, brings to mind the old axiom, "haste makes waste". It would be unwise to attempt any balance sheet restructuring at inappropriate market times.

Thank you for the opportunity to comment on this proposed regulation. I support the efforts of NCUA to pursue a balanced risk-based capital system that requires additional capital of higher risk credit unions and rewards those credit unions with proven risk management skills. I do not believe the current proposal is balanced and should be withdrawn if it is not changed. I encourage NCUA to consider some of the recommended improvements to the proposal.

Respectfully,

A handwritten signature in blue ink, appearing to read "Chris Anuswith", written over a faint, larger version of the same signature.

Christopher E. Anuswith, CCUE  
President / CEO

CC: Senator Mark Warner  
Senator Tim Kaine  
Congressman Bobby Scott