ECCU

May 1, 2014

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

RE: Comments on Proposed Rule: PCA - Risk-Based Capital; RIN 3133-AD77

Dear Gerald Poliquin,

Comment: I am writing to express our concerns with the proposed Risk-Based Capital Rule and I appreciate the opportunity to provide comments to the National Credit Union Administration.

Educational Community Credit Union is located in Kalamazoo, Michigan. We serve approximately 37,000 members and our current asset size is roughly $400 million.

All credit unions are emerging from a weak economy while simultaneously having to help pay for the stabilization fund to bail out the corporate credit unions. I understand that many credit unions suffered financially under this scenario. However, the credit union picture is improving. Our credit union has kept a good capital ratio throughout the years since the great recession.

As careful stewards of our member's money, we have always implemented measures to mitigate risk by selling mortgages on the secondary market and laddering of our investment portfolio. We have researched alternative means to help our bottom line. Through these tough times we have emerged from the recession a stronger, more resilient credit union.

Our very strong concerns regarding the NCUA's proposal to amend Part 702 of the NCUA's regulations is that it would obstruct the growth of all credit unions, as well as our own. Our ability to compete with banks and other financial entities would be severely limited due to this proposal. As we see it, this proposal would restrict our investments, our consumer mortgage portfolio and our business lending. These are three key areas which are needed for all credit unions to grow which in turn allow us to fund products and services to serve our member's needs.

We do not agree with the risk weightings for:

- MBLs
- Mortgage Loans
- Longer-term investments

The risk weightings are overly general and do not take into account the slight diversity of particular portfolios and with little or no regard to credit union's strategic goals and objectives. The rule will penalize credit unions despite the industry's good performance during the recent recession.

For example: Our credit union is unique in that we offer short term mortgages. The new rule as it is proposed does not differentiate the risk of certain categories like mortgage loans based on duration. We currently offer 7,10,12,15 and 20 year mortgages. The average life of some of these mortgage loans are 5 to 7 years. However the risk factor on these shorter mortgage loans is considered the same as that of a 30 year mortgage. Under your proposed rule they are still classified as long term mortgages. There is no consideration of the duration in the portfolio.

Are we to assume that an unsecured loan with a similar shorter duration is less risky than a loan backed by a mortgage? There are many factors that are not being taken into account when accessing the risk of a credit union using a one size fits all calculation.

There are several comments made in your discussion section that are troubling. First, you state that "a supervisory assessment of capital adequacy may differ significantly from conclusions that might be drawn solely from the level of a credit union's regulatory capital ratios." If I understand the proposal correctly, NCUA could assume additional authority to impose even higher capital requirements on individual credit unions that could exceed even well-capitalized level requirements. This provision seems to be subjective and not based on any formula or required capital levels.

The rule's current version also seems to require greater credit union reserve ratios that are higher than those of banks. Credit Unions have historically been less risky based on their cooperative model and losses have been significantly less than their bank counter parts.

Overall, this proposal doesn't seem to provide enough justification for the capital levels or risk weights chosen and doesn't provide specific details for credit unions to manage their risks. It seems that the rule attempts to protect the NCUA fund but at what cost to the credit union industry? Educational Community Credit Union believes that NCUA has not adequately addressed all the areas in the rule.

Please consider amending this proposed regulation to make it on par with our financial competitors and to eliminate the subjective power afforded to the NCUA. We urge that the NCUA continue analyzing all aspects of the proposal.

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

Sincerely,

Charles Cornelius

Charles Cornelius, President/CEO
Educational Community Credit Union