From:	Russ Dalke
To:	_Regulatory Comments
Subject:	[Russ Dalke]-Comments on Proposed Rule: PCA-Risk Based Capital
Date:	Monday, May 05, 2014 2:44:52 PM

Thank you for the opportunity to comment on proposed rulemaking regarding changes to "Prompt Corrective Action – Risked Based Capital".

In general, I understand the necessity to classify and identify inherent risk to the share insurance fund and more importantly to consumers and the public at large. While I support the concept of measuring and quantifying Risked Based Capital, I do have concerns that you may be painting with a very broad brush under the current proposal.

I would like to provide two suggestions which would affect the denominator side of the current equation. The degree to which these suggestions would impact the final result or impact to credit unions overall is unknown, but I believe they have merit.

1) Funds held in deposit at a Federal Reserve Bank should have 0% risk weight vs. the .20% risk weight currently proposed.
2) Not all mortgage loans are created equal and therefore those Credit Unions that choose to have a more conservative mortgage loan portfolio should not be subject to elevated risk weighting. There needs to be a way to exclude some segment of the 1st mortgage portfolio (as well as other loan groups) when that segments risk profile is sufficiently below a standard threshold.

   Example: A 1st mortgage loan with a 10 year final maturity, 5 years remaining and a current LTV of 50% does not have the same risk as a 1st mortgage loan with a 30 year final maturity, 25 years remaining and a current LTV of 90%. Perhaps exclude 1st mortgage balances that have less than 60 months remaining to maturity and have a current LTV of less than 50% (using the value at the time of origination). Price risk is mitigated due to short duration and credit risk is mitigated due to LTV in this example.

The point of these two particular suggestions is that they can be used to differentiate between Credit Unions that look substantially similar on paper, but whose risk profiles are complete different from one another.

A more segmented approach to risk based assets will provide credit unions with more options to structure their balance sheets in such fashion that it would help provide overall safety and soundness to the Credit Union System while minimizing the impact of reduced product and service offerings to their Members.

There are many comments and suggestions that appear to make valid points and raise serious questions regarding the proposed approach. I hope the NCUA rule making body gives ample consideration to each of them. I certainly do not envy your position in regard to a final decision. In the end, we all want the final rule to be reasonable for credit unions as well as for the regulatory body.

Respectfully Submitted,

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