HARVARD UNIVERSITY EMPLOYEES CREDIT UNION

104 Mt. Auburn Street
Cambridge, MA 02138

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

(via email: regcomments@ncua.gov)

May 5, 2014

RE: Proposed Prompt Corrective Action; Risk-Based Capital Rules

Dear Mr. Poliquin,

Harvard University Employees Credit Union (HUECU) appreciates this opportunity to comment on the Administration's Proposed Regulation for Risk-Based Capital. HUECU is a $450 million well capitalized state chartered credit union, serving the financial needs of over 40,000 members in the Harvard University community. While we understand and agree with the concept of a risk-based capital structure for credit unions; we have significant concerns that the Regulation as proposed would incur unwarranted additional costs for our members and impede our ability to adequately meet their financial needs.

In general, the risk-weights that have been proposed for many asset classifications in credit unions far exceed those already promulgated for banks. This is especially problematic because credit unions do not have access to secondary capital and in order to meet these additional capital requirements, would have to implement some combination of the following strategies; (1) eliminate or significantly reduce existing products, (2) charge members higher fees, (3) raise loan rates and / or drop deposit rates, or (4) deliberately slow or reduce asset growth. None of these strategies benefit our members or contribute to the long term sustainability of the credit union charter.

<u>Specifically, the capital requirement for HUECU under this proposal today would be $4,038,631 higher than what it would be under a bank charter.</u> This excess capital requirement does not reasonably reflect inherent balance sheet risk. It is the product of a formula that ignores liabilities entirely and exclusively concentrates on asset concentration risk, credit risk and interest rate risk. Trying to manage the institution to just one number that captures only half of the credit union's balance sheet, engenders instability, restricts innovation and competitiveness and creates disadvantages to credit union membership.

As proposed, these rules may help to reduce short term risk at some individual institutions, but they would also increase systemic and long term risk for the industry at large. In order to ensure the viability of credit unions, members must dictate the products they need and the Board and management must manage risk appropriately. Eliminating the ability for an NCUA examiner to arbitrarily determine capital adequacy and bringing the risk rate requirements for credit unions in line with the Basel III standards for banks less than $15 billion in assets would best serve the industry and all of its constituencies.

Thank you again for the opportunity to comment on this proposal.

Sincerely,

Eugene J. Foley
President & CEO