Bridgeway

FEDERAL CREDIT UNION

March 6, 2014

The Honorable Debbie Matz, Chairman
The Honorable Michael Fryzel, Board Member
The Honorable Richard Metzger, Board Member

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Proposed Risk Based Capital Rule-Opposed

Dear Chairman Matz, and Board Members Fryzel and Metzger:

I am writing on behalf of Bridgeway Federal Credit Union, a $75 million Low Income Designated (LID) and certified Community Development Financial Institution (CDFI) credit union serving 9,800 community members in the Dutchess, Orange, and Ulster counties of New York State. I would like to thank NCUA for this opportunity to comment on the proposed rule entitled Prompt Corrective Action-Risk Based Capital.

Upon review of the proposal, I immediately question if the proposed risk weights actually matches the real risk adherent in the system. The method adopted by bank regulators has almost its whole focus on credit risk, and assets are placed into risk weightings based on that. It appears this proposal is a combination of trying to mix in liquidity and concentration risks into the calculation and ignoring credit risk all together.

There are several areas of concern specifically with the proposed risk weights that will negatively impact operations at Bridgeway FCU and in turn impact our ability to serve our members, potential for growth and further expansion as follows:

- Interest rate risk and credit risk in the loan portfolio is ignored as only concentration risks are addressed. The increase in risk-weighting specifically for real estate loans at various levels, private student loans and MBLs will severely restrict our ability to lend to members in these categories. We are already reserving in the ALLL in these categories and this additional capital reserves further restricts the levels we can put on our balance sheet as not to go below the 10.5% level. This does not add any value to our members or to our bottom line.

- As a LID/CDFI credit union, the higher risk weight for MBLs will further limit us to reach business owners that are in between the micro business and $500,000 commercial loans as lending to these businesses will lower our RBC ratio. This is counter-productive to the community mission of our credit union and the OSCUI.

- The doubling of the risk weights on long term investments from 75% risk weight for a 4.5 year bond to a 150% risk weight for a 5.5 year bond doesn't make sense. That implies that all bonds with maturities greater than 10 years are treated the same. Increasing these limits will inherently deter our credit union from making the investments to increase YOA even though there is sufficient support in our ALM models from an IRR perspective.

- The increase in risk-weighting specifically for investment in CUSOs and corporate perpetual capital has immediate impact our RBC ratio. These are investments that are necessary for small to mid size credit unions to not only operate using the third party relationship but make some sort of net worth contribution in the process.

Other areas of general concern that I am opposed to are:

- The 1% NCUSIF deposits being ignored in the calculation. This reserve is set aside to protect the credit union agency in the event of default. Not taking this additional reserve into consideration is being overly conservative and devaluing an asset that has already been scrutinized by the US Treasury.

- The proposed rule also takes a bold step by increasing NCUA's authority to impose additional capital requirements on credit unions based on an examiner's subjective opinion of how the credit union should be run.

- Public disclosure of the NCUA-developed point in historical time calculator unnecessarily exposes all credit unions to reputation risk as uninformed members could read and misinterpret the results.

- The inability to obtain Secondary Capital leaves no other option to raise funds. As stated earlier, the proposed rule will hinder our ability to raise additional capital through loans due to the rigid risk-weights on loans and investments. Bridgeway Federal Credit Union, charted in 1935, has always been classified as "Well Capitalized". If this proposed rule is passed our credit union becomes dangerously close to falling below to "Adequately Capitalized" when analyzed using short-term and long-term growth strategies and highly concerns our credit union. Although we are a LID/CDFI and are fortunate to have the opportunity to raise secondary capital, many credit unions do not have this opportunity. Without the ability to raise secondary capital it would hinder credit union's ability to best serve their members.

Thank you for the opportunity to comment on this proposed rule and for considering our views on the risk based capital requirements. Should you have any questions or would like to discuss these issues further, please contact Michelle McCourt, President/CEO by telephone at (845)-452-3451 extension 1101, or by email at mmccourt@bridgewayfcu.org.

Sincerely,

Michelle McCourt

Michelle McCourt
President and CEO