From:	Joseph Thomas, Jr
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Friday, May 09, 2014 4:10:09 PM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Fairfax County Federal Credit Union, (FCFCU) which serves the community of Fairfax County, Virginia. We have nearly 15,000 Members and over $290,000,000 in assets. FCFCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

Although FCFCU would not, immediately, be negatively impacted by the current proposal there are a number of concerns we have with the proposal that, if not addressed, may very well hurt our ability to serve our members in the future.

While it is understandable and even desirable for a Risk-Based Capital (RBC) Policy to be established for credit unions many aspects of the proposal treat, currently "Well-Capitalized", credit unions more punitively than "Adequately-Capitalized" credit unions by requiring a higher level of RBC.

Of particular concern in the proposal is that it allows an examiner to arbitrarily force higher capital requirements on credit unions, on a case by case basis. This facet of the proposal will place any and all well run credit unions in the position of possibly restructuring the credit union's balance sheet based on the subjective interpretation of an examiner who may be unqualified or even capricious when faced with unfamiliar circumstances at particular credit union. This concern is not hypothetical to most credit unions. The ability of NCUA to restrict credit union board approved dividends in the proposal is also fraught with potential abuse by regulators who may be unfamiliar with sound business practice.

As for the risk weightings set forth in the proposal, it seems to be arbitrary that all the proposed rules treat all of the asset classes the same without addressing the different risk one loan or CUSO investment might be compared to another. Why one credit union should be required to assign the same risk weight for a well underwritten mortgage loan, with significant equity and an excellent repayment record be treated the same as a poor performing mortgage loan, with no equity may be helpful to the regulator in charge of protecting the insurance fund, it does not adequately represent the risk on one credit union's balance sheet as compared to the risk on another credit union.

It is our credit union's opinion that NCUSIF deposits should be excluded from the calculation of RBC ratios, unless there is information, made public, that such deposits have a potential risk that would cause them to be somehow impaired.

The time line set by NCUA may need to be adjusted based on the final rules adopted by the agency.

In conclusion, I believe there is significant work that needs to be done to make a Risk Based Capital policy fair, equally applicable and be a tool to accomplish a worthwhile goal of determining the risk associated with the assets of the credit union. Furthermore the unfair treatment of currently well-capitalized credit unions to increase capital requirements beyond those requirements of adequately capitalized credit unions seems contrary to the intent of establishing a risk-based capital policy. Risk-based capital policy as proposed also puts too much power in the hands of regulators to supersede power designated to member elected boards to set dividend levels and to arbitrarily impose higher capital levels on a credit union without established guidelines on when such powers may be implemented. Finally, the proposed policy makes no provision for credit unions that take into account the nature and complexity of their liabilities when addressing risk associated with their assets. Such a proposed policy structure places unnecessary reliance on one part of the balance sheet, assets, while ignoring, and most likely to the detriment, the rest of the balance sheet. No well-run organization would ever ignore such a fundamental component of overall risk management.

I would like to thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

Joseph D.Thomas, Jr.
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