

May 7, 2014

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

Sent via E-mail to: regcomments@ncua.gov

RE: People's Trust FCU Comments on Proposed Rule: PCA – Risk-Based Capital

This letter represents my views regarding the NCUA's proposal on PCA – Risk-Based Capital. I am the EVP / CFO of People's Trust FCU which is based in Houston, TX and serves people who live, work, worship, or attend school in the City of Houston as well as multiple SEGs. We have approximately 26,000 Members. I appreciate the opportunity to comment on this very important issue.

First, let me say that I agree with former Senator Alfonse D'Amato in opposing this regulation in any form. According to Mr. D'Amato if the U.S. Congress had wanted the regulator to set a two-risk-based net worth standard for well versus adequately capitalized credit unions, it would have said so. He went on to say that doing so would be inconsistent with the intent of he and his colleagues when they crafted the credit union version of Prompt Corrective Action (PCA) in 1998, and would exceed the authority conveyed to NCUA under the Federal Credit Union Act.

I believe this to be yet another recent example of regulatory overreach and will state again my opposition to this regulation in any form for the above mentioned reason, and because it is simply not necessary. Credit Unions came through the most serious economic crisis since the Great Depression relatively unscathed, with the exception of Corporate CUs. And, unless NCUA is anticipating some larger economic dislocation in the near future, this regulation serves no purpose except to increase regulatory control of our credit unions and our Members' money.

It seems to me that we are increasingly being forced into an environment where we must manage our credit unions to regulatory expectations rather than toward member expectations. Our credit unions belong to our Members not to the NCUA Board.

Further, NCUA has not demonstrated problems related to the current PCA regulation, other than a few isolated incidents other than to state that it intends to bring the CU method closer in line with Basel III. Basel III is focused on credit risk. However, the RBC proposal covers not only credit risk, but also interest-rate risk, concentration risk, liquidity risk, operational risk, and market risk. There is no justification for this expanded definition.

Under the proposal, NCUA has the authority on a case-by-case basis to increase the amount of capital a CU is required to maintain. Such power is not justified and is akin to moving the goal posts once the game has begun.

The proposal increases the regulatory burden in an already overly regulated environment. We did not cause the financial crisis yet we seem to be bearing the brunt of the regulatory burden while those who caused the economic meltdown continue to pull down huge salaries and vacation at their various homes around the world.

The Cornerstone CU League estimates the costs of compliance at: 40 hours for a one-time policy review and revision, 122 hours for one-time record keeping, 20 hours for on-going recordkeeping, and 20 hours for a one-time policy review. That's a lot of man hours paid for by our Members for an unnecessary regulation.

So, assuming we're going to get this regulation shoved down our throat whether we like it or not (or need it or not), I would ask that we be given at least three years to comply. Base III allows banks until 2019 to comply. I would also ask that you keep in mind that we have no way to raise additional capital except through generating additional profits, at our Members' expense, or through running off deposits, again at the cost of Member service.

I apologize if the tone of my comments seems adversarial; however, out here on the ground where service to Members is our raison d'etre, it feels as if we are fighting an unending fire hose of regulation. Please let us serve our Members and keep in mind that we are in a better position to manage our individual credit union than you are.

Sincerely,

Steve Branstetter
Executive Vice President / CFO
People's Trust FCU