



DANNEMORA FEDERAL CREDIT UNION

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May 7, 2014

Mr. Gerald Poliquin
1775 Duke Street
Alexandria, VA 22314

Dear Mr. Poliquin,

As the CEO of Dannemora Federal Credit Union, I am writing this letter to comment on NCUA's Risk-Based Capital proposal. I support NCUA's attempt to introduce a more advanced risk-based rating system for credit unions but feel that changes should be made to this proposal to make it even more useful for credit unions.

The expanded use of risk-based capital by NCUA would benefit credit unions, such as Dannemora FCU, that balance both continued growth, sound investment and good underwriting practices.. The existing PCA requirements do not adequately distinguish between different types of asset categories and investments. In contrast, Dannemora FCU would have a risk-based capital rating of 15.84% under NCUA's RBC plan. In addition, I agree with NCUA that credit, interest rate, and concentration risk should all be addressed and monitored under an RBC program.

Even though I agree with the proposal in concept, there are changes that NCUA should make before finalizing it. For example, credit unions should be given more time than 18 months to comply with the final regulation. The banking industry has worked for decades to develop and modify its RBC standards. Given the impact that this proposal will have on the operations of many credit unions, I feel that these regulations should not take full effect for at least 48 months.

In addition, NCUA's restrictions on member business lending, mortgage concentration and investment length are not properly calibrated. For example, NCUA would assign a 1.50 risk weighting to investments between five and ten years in length and 2.00 for investments of greater than 10 years. This will force Dannemora FCU to change its investment composition, which currently includes \$20,791,338 worth of investments between 5-10 years, even though these are prudent investments. An investment's

length, without regard to the expertise of the credit union making the investment or the quality of the underlying instrument, should not be automatic grounds for classifying an instrument as riskier than other potential investments.

Ultimately, for any risk-based capital reform to work, it must be coupled with legislation allowing credit unions to acquire secondary capital. While credit unions such as my own may well benefit from risk-based capital reform in the short to medium term, without secondary capital it will be difficult to comply with the proposed regulations and grow the credit union to meet member needs. While NCUA does not have the authority to authorize all credit unions to take in secondary capital, it should be a vocal advocate for secondary capital reform with Congress.

Sincerely,

A handwritten signature in cursive script that reads "Randall S. Martin". The signature is written in black ink and is positioned above the typed name and contact information.

Randall S. Martin
President/CEO
Dannemora Federal Credit Union
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