LCU
Leyden Credit Union

A Stable Financial Institution in your Community Since 1955

May 13, 2014

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

Dear Mr. Poliquin:

I want to thank you and the Board for giving credit unions the forum for voicing our concerns regarding the proposed rule. I realize that the ultimate purpose of the rule is to make the credit union industry safer and more secure for the consumer, our members.

We all want a credit union system that is healthy enough to support the cyclical expansions and recessions of the American and now world economy. We also know that interest rates have been kept artificially low for an extended period of time and at some point, rates will go up, perhaps exponentially. This is a very real scenario that insurers/regulators of credit unions should fear. We understand the corresponding emphasis on buoying credit unions capital position.

I will let others that have had more time to dig into the specifics of the proposed rule comment on the specific areas where the regulated have issues with the proposed regulation. I'll simply comment on a few of the broader areas that I take issue with.

A major point of disagreement that I have with the proposed rule is with the Examiner Subjectivity to be able to impose higher levels of capital for individual credit unions on a case by case basis. A credit union should not be held to higher standards than any other credit union based on a whim by a particular examiner.

Another broader area of concern about the proposed rule concerns the disparity in the risk weighting of investments with a weighted average life greater than a year in the credit union industry vs. the Basel 3 standards in the banking industry. What is the reasoning for holding credit unions to a much more stringent standard when we've performed better than our cousins in the banking world?

The disparity concern not only lies with the risk weighting in the investment area, but also within multiple areas in our loan portfolios. Not only does the banking industry have the ability to raise capital through the sale of stock, their capital requirements aren't on a par with what is being proposed for credit unions.

Credit Unions can only raise capital organically through income generation from our members and at least at Leyden Credit Union, income generation is not our top priority. Our top priority is giving our

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members the best deal that we can while we remain profitable enough to sustain operations. Therefore we are very careful with the capital we have. I can't speak specifically for other credit unions, but because of our limitations regarding the building of capital, I think as a whole, we are conservative by nature. Adding risk weighting factors that are multiple times as stringent as the banks isn't necessary and frankly doesn't make sense.

Thank you for the opportunity to comment on this proposed rule. Due to the cyclical nature of economies, it's only a matter of time before interest rates rise. For some credit unions, capital is going to be tested at that point. For others, rising rates are going to be an opportunity for credit unions to increase profitability and they will be able to increase their capital.

Sincerely,

David Lukas
President/CEO

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