May 13, 2014

Gerard Poliquin, Secretary of the Board
NCUA

RE: Prompt Corrective Action; Risk Based Capital
RIN 3133-AD77

Mr. Poliquin:

I am a Board of Director at the Greater Pittsburgh Police Federal Credit Union and I am writing to you with our concerns regarding the proposed risk-based capital rule and to voice our opposition to the proposed rule in its current form.

The basis for our opposition is as follows:

- There is an inadequate implementation time frame for the new rule-- The banking industry is instituting changes in the form of Basel III but has been given several years to phase-in and implement their new rule, yet NCUA is expecting credit unions to completely implement a new Risk-based Capital rule within 18 months. It is our position that the NCUA is not taking into consideration the "realized impact" of such a quick implementation. Also, banks have greater flexibility and more options to raise capital quickly whereas credit unions have limited means to generate higher capital over a longer period of time.

- This rule creates a clear disadvantage to all credit unions against their community banking counterparts in the form of reducing earnings by over-emphasizing an interest rate risk position rather than sound interest rate risk management. This loss of earnings will result in a reduced ability to manage balance sheet risks, an inability to price share and loan rates competitively with banks, and will result in a reduction of services to our members'.

- This rule is punitive toward credit unions even though the natural person credit unions took no TARP funds and maintained such solid balance sheets through the crisis that they were able to pay for, and bail themselves out of the mortgage crisis. The NCUA 's proposal establishes higher risk weights than the Basel III of banks who relied on TARP funds to survive the crisis. Based on the aforementioned, there is no basis for NCUA to establish stricter risk-weightings than Basel III does for banks. It cannot be overstated that the mortgage crisis occurred because of banks, not credit unions.

- The proposal will adversely affect lending to small business and residential homeowners by credit unions as well as a reduction of member services and affordable loans to all members.

- The proposed rule appears to contradict itself by allowing an examiner to set a higher minimum risk-based capital for institutions deemed to be fundamentally unsafe and unsound due to interest rate risk, concentration risk and liquidity risk when the rule states that "only the NCUA Board" may reclassify a credit union and that the Board may not delegate this authority. Aside from the troubling nature of this new examiner authority, the NCUA cannot allow this contradiction to stand based on the unlawful delegation of its authority.

- There also appears to be a contradiction to the Federal Credit Union Act throughout the proposal because the NCUA has not addressed all material risks in their proposed rule. The NCUA has ignored the interest rate risk in loans.

- The rule is encouraging taking higher levels of credit risk (at the expense of less risky investments and assets), which would directly drain capital as any unanticipated losses occur.

- The proposal has unsecured loans risk based capital ranked lower than a banks in Basel III.

- The proposed rule has a delinquent real estate loan weighted lower than a Government Backed Mortgage Back Security that has zero credit risk.

- The rule requires a risk weight of 150-200% for a MBS with no credit risk and only 100% risk-weighting on an already delinquent real estate loan. This does not compute and should be corrected.

- The proposal has the same risk weight on a five year insured certificate of deposit investment (zero risk) as an already delinquent consumer loan.

- The proposed rule contradicts current NCUA Regulations that require sound interest rate risk management and liquidity risk management by Ignoring the interest rate risk of the loan portfolio as well as the liability side of the credit union balance sheet.

- The risk weightings proposed do not match the "real" risks that credit union may face. The risk weightings serve as a disincentive to continue with or enter into a MBL, mortgage lending, and longer-term investments (which provide a higher return back to the credit union). The risk weights are not consistent with Basel III (that of banks) and prior Interest Rate Risk/Concentration Risk Regulations/Guidance, over-manage and over-emphasize interest rate risk.

- There is a clear bias against investments and demonstrated favoritism toward certain types of lending which a sound, well-thought out rule would not have.

- There are concentration weights on certain kinds of loan concentration levels rather than focusing on the quality of underwriting standards and expertise.

- There is punitive treatment for credit unions who wish to maintain mortgage servicing rights through the risk-weightings.

If this proposal passes (as is), you are going to force many credit unions into mergers. This will greatly affect the economy in many ways including less service and opportunity for many sectors of the economy as well as a loss of jobs for credit union employees and small businesses.

Based on the aforementioned, this proposal should be significantly amended and reissued for comment OR entirely withdrawn. It is unnecessary, inconsistent, and ineffective for the credit union industry. We strongly urge NCUA to step back and consider all of the items that I have brought before you. Thank you for this opportunity.

I am available for further discussion and can be contacted at the credit union office at 412-922-4800.

Sincerely,

Frank Amity, Board of Director
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