From:	Scott Patterson
To:	_Regulatory Comments
Subject:	Comment on Proposed Rule: PCA - Risk-Based Capital; RIN 3133-AD77
Date:	Wednesday, May 14, 2014 5:22:06 PM

ATTN: Mr. Gerard Poliquin, Secretary, NCUA Board

Comment on Proposed Rule: PCA - Risk-Based Capital; RIN 3133-AD77

For the past six years, I have been fortunate to be involved in the creation and successful growth of a CUSO that assists credit unions in making private (non-federally insured) student loans to their members.

This program now serves nearly 250 credit unions and has assisted more than 50,000 families with fair-value loans. Current outstanding loan balances now total more than $1.3 billion. To date, 3,256 loans have been paid in full, over $580 million of loans are in full repayment, and the delinquency rate is just 1.8%.

Our program was created on a foundation of education finance best practices. We leverage prudent underwriting criteria that include documented credit for the borrower and co-borrowers, school-certification, and direct school disbursement. Moreover, loans are only made to students who attend historically high-performing not-for-profit colleges and universities.

The proposed risk-based capital rule proposes a one size fits all formula for risk rating private student loan assets: 100% for current loans and 150% for delinquent loans.

This formula completely mischaracterizes the multitude of factors that affect sound underwriting (riskiness) and the kinds of programs in which credit unions can and do participate. Some credit unions manage their own program, different CUSO's have very different business models, and in many situations credit unions also have an insurance option to further mitigate credit risk.

In addition to a thorough underwriting process, we provide credit unions with powerful reporting tools for student loan portfolio management, including:

- Vintage reports with payment history by the year the loans were made
- Product specific reports for undergrad, graduate business and consolidation programs
- Payment performance by FICO score bands
- School level reporting of payment history
- Deferral reporting where students are given short-term payment deferrals due to specific transition circumstances

We continue to enhance our underwriting, monitoring and relationship efforts with this vital group of young members who are essential to every credit union's future.

Trying to simplify this asset class's "riskiness" with a single number contradicts our experience and the way our credit unions monitor and reserve for student loans today. The rule is totally misleading in its approach to the risk measures that are in place, and conveys a completely erroneous impression of what proper asset management of student lending requires.

Please withdraw this rule and the overly simplistic 100% risk rating.

Sincerely,

Scott Patterson
President/CEO
CU Student Choice Partners (CUSO)