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May 15, 2014

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

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

Dear Mr. Poliquin,

This comment letter represents the views of Northwest Community Credit Union regarding the National Credit Union Administration's proposed rule concerning Prompt Corrective Action- Risk Based Capital (RBC). By way of background, Northwest Community Credit Union ("Northwest Community") is a low-income designated credit union with eighteen branches in the State of Oregon. We serve over eighty eight thousand members and have approximately \$850 million in assets. Northwest Community appreciates NCUA's efforts to uphold the credit union industry's commitment to safety and soundness. Furthermore, we agree with the fundamental concept of a modern risk based capital weighting system, as different types of assets represent significant variances in risk. Nevertheless, we have serious concerns with the proposed rule in its current form and ask that substantial modifications be made prior to any implementation of the rule. Some key areas of concern are:

1) Risk Comparison to Banks

Risk-based capital is appropriate, but the proposed requirements for credit unions shouldn't be more restrictive and punitive than they are for U.S. banks and any other financial institutions in the world under the BASEL III framework. Banks with less than \$15 billion in assets have more favorable risk weightings than those the NCUA is proposing for credit unions. This places credit unions at a competitive disadvantage and will result in a reduced ability for credit unions to lend to consumers and businesses.

As the NCUA knows, credit unions are very different than banks. Even the most complex credit unions have a different assortment of products and services with far less exposure to high risk activities such as trading, private equity, and counterparty exposure from derivatives and financing transactions. Credit unions' exposure to commercial real estate and commercial industrial lending is also minimal in comparison to banks. As a final point, credit unions do not have the same ability as banks to raise capital through high-risk channels. Credit unions, as member-focused, not-for-profit financial institutions investing in their communities, are historically risk-averse and should be treated as such.

2) Individual Minimum Capital Requirements

The proposed rule gives NCUA authority to require even higher capital for individual credit unions. This highly subjective and dangerous element should be completely eliminated from the rule. Capital ratios are the best long term indicator of a credit union's financial health. As such, they are very strategic in nature and shouldn't be subject to the possible whims of one examiner. If an examiner believes there is a reason to go outside of the established capital requirements, a process should be developed that would include the Regional Director and/or the NCUA Board. The NCUA has taken steps in recent years towards the goal of making examinations fair and consistent. Adding such an arbitrary component to the relationship between examiners and credit unions is an enormous step backwards.

3) Proposed Rule Reduces Capital Cushion

In the vast majority of credit unions, the proposed measurement system will significantly reduce the cushion of net worth over the "well capitalized" mark. In the case of Northwest Community Credit Union, we have a current capital cushion of 2.60% (net worth = 9.60% less 7.00% threshold). We have worked tremendously hard to improve this ratio in spite of the economic challenges of the past six years. With the stroke of a pen, NCUA's proposal would shrink our cushion to 1.70% (risk based net worth = 12.20% less 10.50% new threshold). The effects of this change could have a significant impact on our ability to meet our members' needs.

In conclusion, Northwest Community Credit Union appreciates the NCUA's willingness to listen to our concerns. We sincerely hope that these concerns, surely echoed by other natural person credit unions across the nation, will result in a modern risk based capital weighting system that takes our unique structure into account and does not ultimately hinder our ability to serve our members.

Sincerely,

Pat Force
Chief Financial Officer
Northwest Community Credit Union