



May 15, 2014

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

Subject: Proposed Rule on Prompt Corrective Action (PCA) – Risked Based Capital

Mr. Pollquin:

I appreciate the opportunity to comment on the proposed RBC regulation proposed by NCUA. I sincerely trust that our comments will be carefully considered as the Board moves forward with revising and replacing the current rules on risk-based capital.

Carolina Postal Credit Union is an \$84M state chartered credit union that serves US Government and US Postal Service employees. Our primary concern is in the area of investments. CPCU disagrees with the proposed risk weighting of investments since they are only categorized based on years to maturity. The risk in an investment is in its underlying collateral, not its term. Our credit union has a laddered investment portfolio built over the past 10 years. We never chase a rate but try to build a portfolio that can contribute to our income while being secure. CPCU has been conservative and invests in federal agency securities which are marketable to help control interest rate risk. I recommend that NCUA follow Basell III's risk weighting for investments.

CPCU also strongly disagrees with NCUA's authority to impose higher capital requirements on individual credit unions. Basing the rule on an examiner's subjective judgment is a serious area of concern for CPCU. Since there is no set ceiling for a higher capital requirement, this will create an unacceptable level of uncertainty for a credit union attempting to plan strategically for the future. CPCU feels there must be a check and balance on the agency's regulatory power.

Another area of concern with the proposed regulation is the implementation date. NCUA's eighteen month target date does not provide sufficient time to plan for changes. It has taken us 80 years to build the capital we have and with limited ways to raise capital under present statutes will make it difficult to achieve. Credit Union boards and management need time to review strategic plans and that in our opinion will take longer than eighteen months.

CPCU's Board of Directors and senior management understands that capital adequacy is necessary and we have done a good job in maintaining a strong capital level. We oppose the rule as proposed. We ask that any regulation approved be balanced, fair, and sufficiently flexible for credit unions to manage. In order for credit unions to grow and be successful, NCUA must provide credit unions the ability to evolve and thrive.

Thank you for the opportunity to comment on the proposed rule and I hope you will consider my views on the risk-based capital requirements.

Sincerely,

Jay R. Watts

President/CEO  
Carolina Postal Credit Union

[www.cpcuonline.com](http://www.cpcuonline.com)  
(800) 865-0445

Charlotte  
3601 Mulberry Church Road  
Charlotte, NC 28208  
(704) 392-3418

Greensboro  
4817 West Market Street  
Greensboro, NC 27407  
(336) 292-8340

Hickory  
1022 11th Ave. Blvd. SE  
Hickory, NC 28602  
(828) 328-4529

High Point  
315 East Green Drive  
High Point, NC 27260  
(336) 882-3926

Winston-Salem  
635 Coliseum Drive  
Winston-Salem, NC 27106  
(336) 722-1024