

MAY16'14 PM 2:20 BOARD



May 13, 2014

Mr. Gerald Poliquin
Secretary to the NCUA Board
1775 Duke Street
Alexandria, VA 22314

RE: NCUA's proposed Risk Based Capital Rule

Dear Mr. Poliquin:

I am writing on behalf of Diamond Lakes Federal Credit Union which serves a six-county area in Arkansas. We have 10,943 members and \$63 million in assets. Diamond Lakes appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action – Risk Based Capital.

Considering the impact that the Risk Based Capital Rule will have on our credit union, we have the following concerns. We understand that capital requirements are needed to create a fair system; however, we question whether the risk weighting that is proposed actually matches the real risk. Using higher risk weights on long term assets to deal with interest rate risk is misleading without considering other factors as conservative underwriting, historically low delinquency, or matching assets with long term deposits. We also have to question the reason for assigning the same risk weights to secured consumer loans and unsecured loans and applying higher risk weights to extended terms on insured CDs.

We are concerned that the proposal as it exists may limit growth due to capital restraints. This is growth that would be well-managed and monitored but, under the proposed rule, would be limited due to a risk weight that ignores asset quality.

We are also concerned with the imposition of higher capital requirements on credit unions on a case-by-case basis. This is a very subjective approach that is neither appropriate nor necessary.

We are hopeful that the NCUA will do the right thing and postpone this proposal until such matters can be addressed. Thank you for the opportunity to comment on the proposed rule and for considering our views on the Risk Based Capital Rule.

Sincerely,

A handwritten signature in blue ink that reads "Lorraine Howard".

Lorraine Howard
Vice President/Marketing

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