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May 13, 2014

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

MAY15'14 AM10:40 BOARD

Dear Mr. Poliquin:

I am writing on behalf of Ulster Federal Credit Union, a \$106 million asset credit union serving over 9,100 members in the foothills of New York's Catskill Mountains located in Kingston, New York. Ulster Federal Credit Union appreciates the opportunity to provide our comments to the National Credit Union Administration (NCUA) on the proposed rule regarding Prompt Corrective Action, Risk Based Net Worth.

While the proposed rule will impact all credit unions with assets of \$50 million or greater it should be noted that we are concerned with several aspects of the proposal that will not have an impact either immediately or in the near future on our credit union. Despite this, we believe changes are needed throughout the proposal before any new system is implemented. Let me begin by stating that Ulster Federal Credit Union supports a more sophisticated risk based capital framework for credit unions; one focused on interest rate, concentration and liquidity risks. However, in our opinion, the proposal is flawed and as a result does not create a system beneficial to the credit union industry. First and foremost, the proposal's risk weights do not appear to match the actual risk. For example, a risk weighting of 200 percent for corporate credit union perpetual capital and 250 percent for CUSO investments assumes they are inherently more risky yet there is no evidence to justify this position. We are concerned these risk weightings are excessively high. We also believe it penalizes natural person credit unions like ours for supporting organizations that are an important part of the credit union industry.

One area that will directly impact our credit union and require us to change our investment strategy is the risk weights assigned to investments with weighted-average life between 5 and 10 years. Again, the proposal assumes these investments are more risky simply because of the length of their maturity but we have not seen any data to suggest that this is the case. In our

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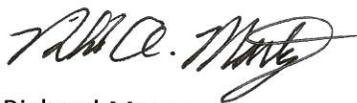
opinion, without a justifiable rationale, it would be irresponsible and detrimental to require credit unions like ours to revise our investment strategy.

Another aspect of the proposal that concerns us is the portion that appears to give an extraordinary amount of authority to the NCUA based on the subjective opinion of the individual examiner. Without further explanation and a defensible rationale, we cannot understand why such a position would be incorporated into a revised rule.

Once again, our credit union supports revisions to the risk based capital requirements for credit unions. However, without addressing concerns like those raised above, we believe the proposal falls far short of its intended goal.

Thank you again for the opportunity to comment on the proposed rule. Ulster Federal Credit Union welcomes the opportunity to further discuss the issues raised above.

Sincerely,

A handwritten signature in black ink, appearing to read "R.M. Mantey", written in a cursive style.

Richard Mantey

Chief Executive Officer

Ulster Federal Credit Union
