May 16, 2014

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

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

Dear Gerald Poliquin,

I am writing today on behalf of McClatchy Employees Credit Union (MECU), which serves employees of the McClatchy Company. We have approximately $16M in assets and serve about 1400 members. We appreciate this opportunity to comment to the National Credit Union Administration (NCUA) on its proposed rule concerning Prompt Corrective Action – Risk Based Capital.

While this proposed rule does not have an immediate effect upon our credit union I remain concerned with several aspects of it and encourage the agency to consider my comments as well as others in developing any final regulation. If passed in its present form I believe it will significantly damage the credit union industry and likely contribute to several institutions converting to a bank charter. Losing any credit union hurts all of us.

As I read through the proposed rule I had numerous concerns. They include the following:

1) Risk weightings on several categories have increased significantly. Following the corporate crisis rules were written which significantly reduce the risk (and return) that we are able to obtain from our corporate credit unions. Despite these changes, however, the rule places excessive weighting on investments from these institutions.

2) The skill of experienced credit union management and volunteers is being put into question. By allowing examiners to arbitrarily override your own model to set a capital level which they feel is appropriate is ill-advised. During the Great Recession numerous credit unions were categorized as CAMEL 3, 4, or 5. Estimates of assessments for the NCUSIF to cover the expected failures of these institutions were proposed but not required due to the skill of those individuals running them. Authorizing examiners to change capital levels based on their personal interpretation of a credit union's health without a backstop is unacceptable.

3) There is no reason to treat credit unions more critically than banks or Basel III. History does not support such estimations. Bank rules treat loans as delinquent when they are past due 90 days but the proposed rule for credit unions moves them into this class at 60 days.

4) The amount of ALLL considered as capital will be reduced to 1.25% of risk-based assets. Particularly in light of proposed FASB changes on the handling of allowances, which is expected to require additional funds in this area, it is not reasonable to punish credit unions in this manner.

Overall, I believe that this proposed regulation will do much more harm than good and respectfully request that the agency review and revise it. Thank you again for allowing us to comment and for your careful consideration of our concerns.

Sincerely,

Stephen Serfozo
Executive Manager
McClatchy ECU

cc: CCUL