Granite State Credit Union

We are New Hampshire!

May 15, 2014

MAY19'14 PM 1:44 BOARD

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

Re: Comments on Proposed Rule: PCA-Risk Based Capital; RIN 3133-AD&&

Dear NCUA Board:

As a veteran credit union executive with over 24 years as President/CEO at Granite State Credit Union in New Hampshire, I would like to respectfully submit my comments to you regarding the proposed regulation on risk based capital. Granite State CU has been an active real estate lender since 1986 and has become a trusted partner for the home ownership financing needs of our members.

I know you have received many comment letters that bring out salient points and concerns most of which I agree with; yet I also understand the need for revisions to the PCA rule. I would like to focus my comments on the very dramatic impact this rule will have on every day consumers who are relying on their credit union for necessary financial services.

The risk weights in the proposed rule are prohibitive to lending to members whom we have served successfully for many years.

Our average real estate loan on the books was originated at just over $100,000 with an average credit score of the primary borrower of 732 – a very strong score. The average member is 49.5 years old – in the prime years of raising a family, working diligently to create a future for themselves for retirement and for their children. **The current regulation weights first mortgage and equity lending excessively so that we will have to reconsider serving these regular members through no fault of theirs** but simply because this regulation will require excessive capital to continue doing the very same type of lending we have always done successfully.

In addition, **excessive weights are applied to small business lending**. This will discourage credit unions like us from reaching out to serve small businesses locally, many of whom desperately need our help to obtain capital for their small business and help create local jobs.

There are other areas of this proposed regulation that concern me and I feel need adjustment. However the impact on my members – regular people trying to obtain financing and go about their lives in a responsible manner – is what is most concerning.

PO Box 6420 • Manchester NH 03108 • www.gscu.org • 603 668-2221 • 800 645-GSCU • FAX 603 668-3382
24 Hour Lending *After* Hours 800 446-0285 • 24 Hour Telephone Teller 800 368-2221

My credit union's current capital ratio is 7.87% with a RBNW requirement of 5.51%. **Under the proposed rule, my RBNW becomes 10.30% and Granite State Credit Union for the first time in its history drops to the classification of "adequately capitalized".** There are no credit losses or excessive interest rate or liquidity risk to support this type of change. **Following BASEL III risk weights for banks of a similar size results in Granite State Credit Union having a RBNW of 12.42% and remaining "well capitalized"** as we have always been. The proposed rule creates difficulty for us in continuing to offer the services for real estate and commercial lending that our members seek us out for today. Instead it would reward us for turning our attention to indirect lending through car dealers or issuing credit cards or unsecured loans in higher concentrations to our members – neither is a positive strategy for long term member relationships or individual consumer financial health.

If I divest myself of 200 members who hold $20 million in real estate loans with me and place those funds in cash, investments and consumer loans, I can remain well capitalized at 10.79%. **While 200 members may not matter to you, they do matter to me**. These are people who live and work in New Hampshire, who have good credit and who use us because they have decided that they are treated better and are more secure financially dealing with Granite State Credit Union. Further the rule restricts me from effectively serving members just like these in the future.

It is my strong hope that you will revise this proposed rule and follow the risk weighting system allowed for under BASEL III which has proven to be effective with banks and allow credit unions like Granite State to continue to serve our members in the manner we have been doing so since our inception in 1945.

Sincerely,

Denise L. Caristi

President/CEO