www.wsscfcu.org

WSSC Federal Credit Union
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May 13, 2014

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

Via e-mail: regcomments@ncua.gov

RE: Comments on Proposed Rule: Prompt Corrective Action – Risk-Based Capital.

Dear Mr. Poliquin:

The WSSC Federal Credit Union serves the Washington Suburban Sanitary Commission**,** its employees, contractors, and licensed plumbers, as well as their family members; most of whom live in Prince George's and Montgomery Counties, Maryland. We currently have 2,960 members and $22.5 million in assets. We appreciate the opportunity to submit comments on NCUA's proposed rule Prompt Corrective Action – Risk-Based Capital (RBC).

WSSC Federal Credit Union feels strongly that this proposed rule is unnecessary. Furthermore, if the proposed rule is adopted, it will place an undue burden upon credit unions to comply. In fact, most affected credit unions would need to increase the amount of capital held in order to be "well capitalized," and would likely face burdensome risk weightings that would serve as a disincentive to continue or enter into member business and mortgage lending programs, and long-term investments, inevitably pushing members to our competitors.

Proposed risk-weights
A number of the risk weights, especially for member business loan and mortgage concentrations as well as for CUSO investments, do not appear to be properly calibrated for credit unions. They are even higher than what is being imposed on banks by the BASEL III changes. The credit union industry does not pose the same systemic risk to the nation's financial services sector that other categories of financial service providers do, based upon existing regulatory restrictions on credit union activities and a self-imposed aversion to risk-taking, removing any justification for imposing higher requirements on our industry. Using higher risk weights on long-term assets to deal with interest-rate risk is misleading without considering liability maturities and other mitigating factors.

CUSO Investments
Additionally, we encourage NCUA to implement regulations that encourage the use of CUSOs to generate net income and remove all regulatory impediments to CUSOs and collaboration. We recommend the removal of risk ratings for CUSO investments and loans as immaterial. The survival of small credit unions such as ours lies to a great extent on the benefits of collaboration. If there are additional restraints placed on our ability to invest in CUSOs, the future of many credit unions our size would be put at risk.

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Examiner discretion to change risk ratings
NCUA would assume additional authority to impose higher capital requirements on individual credit unions. Unlike under the existing statutory net worth rules known as Prompt Corrective Action (PCA) regulations, credit unions would no longer have clear rules to avoid prompt corrective action if the agency establishes its authority to use "judgment" on a credit union to make changes to risk ratings. This opens the door to inconsistent and arbitrary application. It would also diminish the ability of boards and management to make financial judgments and oversee policy. Our recommendation is to remove section 702.105(c) from the rule entirely.

Conclusion
WSSC Federal Credit Union is requesting NCUA to carefully weigh our comments and consider withdrawing this imperfect proposal in favor of opening a new dialogue with the credit union community. At the very least, we urge NCUA to pursue the appropriate amendments to this rule that will ensure a viable, well-balanced risk-based capital system is implemented.

I am writing to you today not only in support of credit unions that would be immediately impacted by the rule because of their asset size, but also on behalf of those small credit unions whose asset size will soon exceed $50 million. The burden of this rule will still impact those currently exempt from the rule, as we will need to plan our future in accordance with a time at which our asset size will potentially trigger the imposition of additional capital requirements. Our credit union provides significant value to our membership through low-cost loans and deposit products. Our members' financial lives will be deeply impacted by restrictions placed upon our future investment and lending activities. Restrictions, caused by the Risk-Based Capital Rule, will require us to plan in an unproductive way, so as not to put ourselves in an unmanageable position when we exceed $50 million in assets in the future. Furthermore, providing examiners with too much latitude in imposing higher capital requirements will create disparate treatment among credit unions and will limit our ability to effectively self-regulate.

Thank you for the opportunity to comment on the proposed rule. If you should have any questions, please contact me at jgoff@wsscwater.com and 301-206-8121.

Sincerely,

Jeffrey S. Goff

Jeffrey S. Goff
CEO

Cc: Sen. Barbara Mikulski
Sen. Benjamin Cardin
Rep. Donna F. Edwards