LOMTO FEDERAL CREDIT UNION

50-24 Queens Boulevard
Woodside, NY 11377
(Tel.) 212-947-3380 (Fax) 212-967-2314
Chartered - 1936

MEMBERS OF
CREDIT UNION ASSOCIATION, NEW YORK
NATIONAL ASSOCIATION OF FEDERAL CREDIT UNIONS
CREDIT UNION NATIONAL ASSOCIATION
MADISON, WISCONSIN

May 13, 2014

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

MAY19'14 PM 2:00 BOARD

Dear Mr. Poliquin:
On behalf of the Lomto Federal Credit Union I am writing this letter to express the serious concerns I have with NCUA's risk-based capital proposal. If NCUA goes forward with this plan, well run credit unions may be forced out of business, members will have access to fewer services, and strong credit unions may even convert to banks.

The most serious defect with this proposal is that NCUA is giving itself the power to make blanket assumptions about member business loans without any regard for the quality of the underlying loan or the history of the institutions making the loans. As a result, Lomto, which has specialized in making medallion loans since it was chartered in 1936, would be penalized for making medallion loans above concentration thresholds. Nothing in these weightings reflects the fact that Lantos has one of the lowest delinquency rates in the nation for its business loans or the fact that New York City medallions, which are the collateral for most of our loans, have increased in value by one thousand percent since 1980 and have only declined in value twice since the early 70s. Commonsense demands that a credit union holding these loans should not be treated the same way as a credit union offering an MBL product for the first time, but that is exactly what NCUA is proposing.

By limiting MBLs, NCUA is also decreasing liquidity in the credit union industry. For instance, Lomto has one of the highest loan to share ratios in the nation and participates out many of these loans to qualified credit unions. If this proposal goes forward, Lomto will make fewer loans or sell more participation interests to banks. The credit union industry won't be safer, it will simply have less money to invest on behalf of members.

If NCUA does go forward with this proposal, credit unions such as Lomto that suddenly find themselves classified as less than well capitalized should be given adequate time to make the capital adjustments necessary to comply with this new mandate. Considering that banks have up to four years to comply with all of the Basel III requirements, credit unions, never before subject to Basel, should be given at least this much time to comply with this regulation. NCUA should also join with credit unions in advocating for the passage of legislation permitting all credit unions to accept secondary capital. Almost all other institutions that are subject to RBC constraints have the ability to raise capital through the issuance of shares. Without similar authority for credit unions, this proposal is effectively requiring credit unions to stop growing in the name of safety and soundness.

Finally, just as NCUA should not make categorical assumptions about member business loans, it should not give itself the authority to make categorical assumptions about the quality of credit union investments in CUSOs. That is exactly what NCUA's doing by making investments in CUSO's one of the most heavily weighted investments a credit union can make. Just as Lomto has consistently made sound medallion loans, there are many CUSOs that consistently provide needed products for credit unions and credit unions should not be deterred from investing in them.

Sincerely,

Richard Kay

Richard Kay, CEO