Niagara's Choice
CREDIT UNION
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May 20, 2014

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

Dear Mr. Poliquin:

As CEO of Niagara's Choice FCU, as well as a board member and past Chairman of the Credit Union Association of New York, I am writing this letter to inform NCUA of concerns I have with its risk-based capital proposal. As presently drafted, it gives too much power to NCUA and creates too much uncertainty for credit unions. NCUA's existing net worth requirements adequately regulate the capital needs of credit unions.

A major concern I have is the ability of NCUA to require individual credit unions to have more or less capital as they see fit on a case-by-case basis. This arbitrary decision making would be based on "specific supervisory concerns" meaning that a credit union could be "well capitalized" under NCUA's framework and still be told that it doesn't have adequate capital. This type of authority makes it difficult for CEOs like me to know how to run our business.

In addition to being able to establish individual capital requirements, many of the proposed weightings do not accurately reflect the risk posed by a given investment or loan. These weightings will impact my credit union's investment strategy. Of our credit union's total portfolio, approximately $5.6M is invested between five and ten years in length. These investments reflect our belief that allocating a small portion of the credit union's portfolio is a good way to have a diverse mix of investments that benefit the members. Nevertheless, under NCUA's weighting scheme, all of these investments are automatically considered riskier than the credit union's shorter term investments.

As a strong believer in the need for credit unions to continue to serve consumers in the future, I am also concerned that NCUA is discouraging CUSO investment, with a 2.50 weighting and a perpetual corporate capital weighting of 2.00. NCUA has given itself the ability to examine the books of individual CUSOs. It should not assume that all CUSO investments are bad investments. In addition, the high CUSO weightings mean that NCUA is ignoring the due diligence exercised by a credit union in investing in a CUSO. Currently, our singular investment in a CUSO is held in the shared branching network. This network not only is practical to the millions of members using it, but it embodies the philosophy of our movement. With regard to perpetual capital, credit unions such as ours should not be penalized for investing in the system nor should NCUA assume that corporates are bad investments.

With or without capital reform, all credit unions should have the option of accepting supplemental capital. The existing framework means the credit unions sometimes have to discourage membership growth. NCUA should use its influence as the primary regulator of credit unions to argue for legislation allowing credit unions to accept secondary capital.

NCUA officials have indicated a willingness to make substantial changes to this proposal. In considering amendments, I hope these comments will be helpful. Thank you for the opportunity to express our thoughts.

Sincerely, on Behalf of our Board of Directors, Staff and Members,

Alfred Frosolone

Alfred Frosolone, CEO

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