From:	Brian Eyestone
To:	_Regulatory Comments
Cc:	John Thomas
Subject:	Prompt Corrective Action Risk-Based Capital
Date:	Tuesday, May 20, 2014 5:27:55 PM

To Whom It May Concern,

I appreciate all the NCUA has done to over the past several years to help the credit union movement weather the financial crisis. While credit unions didn't cause the mortgage market meltdown, they have had to deal with the costs associated with it. It would be nice develop rules and regulations that ensure credit unions will never have to struggle with challenges similar to the ones we have just overcome. However, this isn't realistic.

Financial institutions are in the risk management business. Whether it is credit risk, interest-rate risk or consolidation risk, it is the nature of the beast so to speak. Developing rules and regulations so stringent that they take the managing of risk out of the hands of the individual credit unions makes no sense. It is also a disservice to credit union members, as it would greatly reduce credit unions ability to provide the necessary services to meet the needs of their members.

There are several areas of the proposal, in particular, that make no sense whatsoever. First, applying risk weights to Investments based on the Weighted-Average-Life regardless of the type of investment is wrong. Our credit union uses CDs for our investment portfolio. We only invested in institutions that are federally insured and we don't purchase CDs for more than $249,000 to insure our principal and interest are protected. Why should these investments have any risk weighted amount? Unless, NCUA believes the Federal Government would not honor its guarantee. If that is the case, then doesn't the proposal assign a risk weighted amount for government-guaranteed student loans.

The second area is mortgage loans. Our credit union has been making 1st and 2nd mortgage loans for over 20 years. During my time here at the Credit Union (12+ years), we have only had two mortgage loan losses. Both of these were 2nd mortgage loans. I believe it is unfair to look merely at the percentage of assets a credit union holds in mortgage loans when calculating the Risk Weight. Doing so penalizes those credit unions that have made a strategic decision to provide a service that most members need by offering mortgage loans. Other factors need to be considered. These include the LTV, loan term, any re-pricing feature, borrower(s) credit score(s) and DTI.

Finally, setting standards that are even more stringent than required by Basel III will definitely deter credit unions ability to grow and provide the products and services that members want and need. It almost seems like NCUA wants to put credit unions in a protective bubble that shields them from the risks that all financial institutions must operate in on a daily basis. Doing so might help to reduce risk, but it also puts credit unions at a competitive disadvantage.

I hope that the final version of the Risk-Based Capital approved by NCUA will be one that doesn't mean credit unions will be forced to withhold services to members or worse change their charter from a credit union to a mutual bank.

Thank you for your time and for allowing me to express my concerns.

Sincerely,

Brian Eyestone, CCUE
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