From:	Jill Nowacki
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Tuesday, May 20, 2014 10:50:52 AM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Connecticut's 119 federally insured credit unions and their 850,000 members. The Credit Union League of Connecticut appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

The League opposes the proposal because among other things, it is not necessary to ensure the stability of credit unions. Connecticut's credit unions- while hard hit by the recent financial crisis- performed well during the economic downturn, demonstrating that existing capital requirements worked as they were designed. Connecticut credit unions showed resilience and the ability to manage risk in a manner that fostered stability and continued service to members, while maintaining strong capital.

In Connecticut, the impact of the rule would be very negative as 24 of 29 credit unions over $40 million in assets would see the amount of capital they would need to hold in order to remain well capitalized rise if the proposal were in effect. No credit union in our state would see reduced capital requirements under the proposal. Instead of ensuring safety and soundness of credit unions so they may continue serving communities and moving forward, this proposal creates a new crisis. Currently well-capitalized credit unions—credit unions that survived the worst economy since their founding —will see their cushion over well-capitalized status fall approximately 88 basis points. This decline is 2.7 times the total 2013 ROA of affected credit unions.

And this is only factoring in the proposal's stated capital requirements: If the NCUA can impose higher capital requirements on a case-by-case basis as the proposal suggests, additional decreases should be expected. I do not believe capital requirements should be determined on a case-by-case basis.

Another significant area of concern with this proposal is the way it restricts credit unions' ability to manage their own balance sheets effectively to achieve growth. This proposal would discourage credit unions from serving members in their communities who need access to credit and deter innovation that would help provide affordable housing, small business lending, and efficiency-creating collaboration among credit unions through CUSOs. Further, the proposed risk weightings of these factors do not seem to be defined by actual risk or historic loss levels associated with the areas.

Finally, should any sort of Risk-Based Capital rule be implemented, the time allowed to adhere to these standards must be reasonable. The NCUA proposal allows only 18 months. By comparison, the FDIC rule provided banks until 2019 before the rule would become completely effective. One and a half years is not a reasonable timeframe, and we urge the agency to provide at least two years or more for compliance, depending on the extent of the changes NCUA includes in the final rule.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

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