CHICAGO PATROLMEN'S
FEDERAL CREDIT UNION
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May 16, 2014

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

Re: Comments on Proposed Rule: PCA- Risk-Based Capital

Dear Mr. Poliquin:

On behalf of Chicago Patrolmen's Federal Credit Union (CPFCU), we appreciate this opportunity to provide our commentary on the NCUA's Proposed Rule: PCA-Risk-based Capital. While the proposed capital requirements would have little impact on CPFCU, we do believe that the rule, if implemented, would be a detriment to the industry as a whole by placing yet another unnecessary burden on numerous credit unions and lead to a further restraint in the industry's ability to compete in the banking industry.

The following outlines CPFCU's major concerns with the Proposed Rule.

Examiner Subjectivity- the ability for individual examiners to be afforded subjectivity in the risk weight requirements for assets must be removed. There is already too much inconsistency among examiners in applying the numerous rules and regulations. Additional subjectivity as afforded under the Proposed Rule, would result in even more "moving targets" that credit unions are subject to from one exam to the next and from one examiner to the next.

NCUSIF Deposit- removing the NCUSIF Deposit from the risk-based capital calculation essentially renders this asset as having no value. This is contrary to this deposit being reported as an asset on credit union balance sheets.

Cash on Deposit/Federal Reserve Bank- the risk rating for funds deposited in the Federal Reserve banking system should be 0%. Not only are these highly liquid funds, thus removing interest rate risk, the Federal Reserve banks are one of the NCUA's designated sources for emergency funds implying that its safety and soundness is not in question which suggests that credit risk is not an issue as well.

Investments- there appear to be inconsistencies in the risk ratings as certain government-backed securities carry a 0% risk weighting while cash on deposit at the Federal Reserve Bank has a 20% risk weighting.

CUSO investment- the 250% risk weighting for investments in a CUSO is extreme. Such a weighting will likely result in credit unions curtailing their investments in these very important entities. Investments in CUSO's have afforded the industry additional opportunities to compete and therefore, the NCUA should be encouraging prudent investments in CUSO's as opposed to setting up parameters that would likely curtail investments in these important entities.

Loans- Share-secured loans are completely collateralized and hence, there is no credit risk. That leaves only interest-rate risk and the assigned risk rating of 75% is therefore extreme. The actual risk rating should be a fraction of this amount.

Liabilities- there are inconsistencies in the application of risk ratings for longer-term assets versus longer-term liabilities. The Risk-based Capital Rule does not place enough emphasis on the funding side of the balance sheet.

Implementation Timeframe- the estimated implementation timeframe of 12 to 18 months does not allow credit unions sufficient time to restructure their balance sheet in the event that they are negatively impacted by the Risk-based Capital Rule should it be adopted.

Necessity- CPFCU questions the timing of this proposed rule as it comes well after the industry survived one of the worst economic downturns in the history of our nation and at a time when the industry is once again returning to solid profitability. Credit unions operate in an industry in which taking risk is a necessity to earn income. Every effort at further reducing this risk will either result in lowered profits for the industry or higher fees for the members we serve. Neither will allow credit unions to be the competitive force they need to be to compete in the banking industry.

In addition, the growing undue burden placed on credit unions will continue to hamper their abilities to effectively compete which, in and of itself, could lead to additional risk in the industry as credit unions are forced to close their doors. This proposed rule, while applicable to relatively few credit unions, is broadly extended to *all* credit unions. It would be much more efficient for the industry if the NCUA were to address its risk concerns on a one-on-one basis. Therefore, CPFCU respectfully requests that the NCUA not go forward in implementing the proposed Risk-based Capital rule.

Sincerely,

Chicago Patrolmen's Federal Credit Union, Charter: 2876

Scott Arney
Chief Executive Officer

Bryan Milligan
Chief Financial Officer

Thomas Nyhan
Controller