Ticonderoga
Federal Credit Union

518-585-6725 • fax: 518-585-7086
1178 NYS Route 9N
Ticonderoga, NY 12883-3106
www.tfcunow.com

May 19, 2014

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

Re: Comments on Proposed Rule: Prompt Corrective Action – Risk Based Capital

Dear Mr. Poliquin:

I am writing on behalf of Ticonderoga Federal Credit Union, a $91 million asset credit union serving over 9,300 members across two counties in the Adirondack region of northern New York State. Thank you for the opportunity to comment and for considering our views on the Prompt Corrective Action – Risk Based Capital rule proposal.

Though the proposed rule as currently drafted will not have an adverse impact on TFCU based on our current balance sheet structure, the potential for a negative impact certainly exists should we decide to alter our balance sheet structure to better serve our members and provide a positive impact to the credit union's financial statements.

Additionally, available statistics from CUNA indicate that it will have an adverse impact on a significant number of credit unions to the extent it would force an increase of over $7 billion in additional capital requirements at those affected.

While changes to credit union capital system are necessary, there are several concerns with the proposal as currently drafted, including:

<u>Risk Weightings:</u>

A number of the risk weightings, especially for member business loan and mortgage concentrations as well as for CUSO investments, do not appear to be properly calibrated for credit unions. Using higher risk weights on long-term assets to deal with interest-rate risk is misleading without considering liability maturities.

Regulatory Reach:

- NCUA would assume additional authority to impose even higher capital requirements on individual credit unions that could exceed even well-capitalized level requirements; While NCUA may have indicated that such action would require NCUA Board intervention; the proposal as drafted would not preclude examiners from requiring additional capital.

- The proposal as drafted appears to exceed NCUA's authority under the Federal Credit Union Act. Most significantly, the Act requires NCUA to establish a risk-based NW system to address material risks for which the net worth ratio at the adequately capitalized level may not provide adequate protection. This language indicates that NCUA should not impose a higher RBC requirement for a well-capitalized credit union than there is for an adequately capitalized credit union. As currently drafted, the proposal would require currently well-capitalized credit unions to raise a significant amount of additional capital to meet the proposed requirement.

- NCUA would redefine "complex" credit unions that are subject to the rule as those with over $50 million in assets, despite the fact that the Federal Credit Union Act directs NCUA to consider the portfolios of credit unions' assets and liabilities in determining which credit unions meet the definition, not asset size alone.

Timing:

- Given the complexities and far reaching impact of the proposal, an extension of the comment period is essential. It is imperative that the maximum number of interest parties possible have time to review and provide feedback on the proposal so that NCUA in turn will have a more complete appreciation for and understanding its consequences on credit unions and their ability to survive and serve their members. While there is value in and appreciation for NCUA's listening sessions, written commentary provides a better mechanism for documenting and capturing concerns on such an important topic.

- The proposed 18 month implementation window is not enough time to comply given the fact that credit unions rely on retained earnings to build net worth and may need to make operational changes to be prepared. The timeframe is also aggressive compared to the number of years that banks will have to fully implement Basel III requirements.

I am very appreciative of the opportunity to provide these comments on behalf of Ticonderoga Federal Credit Union.

Sincerely,

Shawn M. Hayes, CCUE, CUCE
President & CEO