MyCommunity FEDERAL CREDIT UNION

Gerard Poliquin, Board Secretary
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Mr. Poloquin,

We appreciate the opportunity to comment on NCUA's Proposed Risk-Based Capital – PCA Regulation. While we generally favor the idea of a Risk Based approach to Capital requirements consistent with the FDIC's BASEL III regulation, we feel that the proposed regulation will hurt the industry and reduce our ability to compete with our banking counterparts and is more restrictive than BASEL III for Community Banks.

We operate a roughly $300 million Federal Credit Union in that serves over 27,000 member-owners in Midland, Texas and throughout the Permian Basin. Unlike much of the economy, we are in a boom and everything in our area is in a growth strategy. We feel like this regulation will serve to restrict some of the areas of growth we have identified as opportunities. In looking at some of the risk weightings, we can see that they will likely have the unintended consequence of stifling areas of opportunity such as expanding our Member Business Loans, Investing in CUSOs, and retaining Mortgage Servicing Rights, so we can sell off some of the Interest Rate Risk associated with mortgages. What is odd to us here, is that the regulation centers so heavily on a higher risk weighting to assets with a higher perceived Interest Rate Risk. Retaining the Mortgage Servicing Rights in order to maintain the relationship and sell off the risk is a method to reduce Interest Rate Risk, yet there seems to be a penalty for this.

We are also concerned that the regulation will require significant balance sheet restructuring, yet NCUA expects an implementation and compliance window of 12-18 months. A 3-5 year window would seem more reasonable given that banks are allowed up to 2019 to implement the new BASEL III standards. And, perhaps the most salient concern we have is that the regulation allows NCUA Examiners to impose additional capital requirements on individual credit unions. There is no discussion on the circumstances that would have to be present for additional capital to be required. No regulation should allow for a subjective measurement. Under such standards we could do everything we know to maintain a "Well-Capitalized" standard of capital only to have this arbitrarily adjusted based on an Examiner's assessment. From NCUA's perspective, it would be better to improve consistency in the Examination process. This will only make this issue worse.

Our recommendation for improving the regulation would be as follows:

- Adopt the BASEL III Community Bank standards for assets such as Business Loans, Mortgages, Investments, Perpetual (Paid in) Capital which are based on Credit Risk, or reduce the risk-weights on assets with perceived Interest Rate Risk to half their current weights.

- Provide separate risk weights for classes of loans (i.e. Unsecured, Credit Card, Auto, Mortgage)
- Allow for items such as the NCUSIF and Goodwill to be counted in the calculation
- Reduce the risk-weighting by half on the Investment in CUSO's and Mortgage Servicing Rights categories
- Remove the Examiner Discretion clause, or define clearly under what exact circumstances an Examiner may require additional capital.
- Provide a longer implementation period for credit unions similar to that provided to banks; we have more stringent requirements with fewer tools (no secondary capital accumulation methods) in less than half the time allowed.

As mentioned, we are generally in favor of a risk-based approach to capital standards consistent with BASEL III, however the proposed standards are more stringent than BASEL III. Under the proposed standards, our credit union would maintain a "Well-Capitalized" classification; however the regulation could stifle opportunities we currently see to compete with local banks and provide the citizens of Midland, Odessa and the Permian Basin with more financial options, which is in turn better for everyone. Additionally, our concern stretches beyond our credit union to the industry as a whole. Many credit unions will drop in risk category classification immediately. Those that don't may cease strategies they might otherwise employ due to the potential drop in capital classification. We don't believe that NCUA or any regulatory agency would want to approve a regulation that is bad for the industry.

We hope that NCUA will at least reconsider some of the inconsistencies between this regulation and BASEL III and will come up with one that allows credit unions to be able to compete with banks rather than the current proposal which stifles their ability to compete and thereby provide more financial options for Americans in general.

Sincerely,

Donna K Neal

Donna Neal
President/CEO