Western New York
FEDERAL CREDIT UNION

May 16, 2014

Mr. Gerald Poliquin, Secretary of the Board
National Credit Union Adminstaration
1775 Duke Street
Alexandria, VA 22314-3428

MAY 21'14 PM 3:04 BOARD

Dear Mr. Poliquin:

I am writing this letter to comment on NCUA's risk-based capital proposal. As the CEO of a $40 million credit union and as a member of the Board of Directors of the Credit Union Association of New York I have a unique perspective on the consequences that RBC reform could have for the industry.

NCUA argues that this regulation will strengthen the share insurance fund and have little impact on those credit unions that remain well-capitalized. However, this analysis overlooks both the direct and indirect impact that this regulation will have on credit unions. Although this regulation applies to credit unions with $50 million or more in assets, on a practical level, that means that it impacts Western New York FCU and all other credit unions that will reach the $50 million threshold in the next few years. Since there is no grace period for $50 million asset credit unions, my credit union would already have to evaluate its lending and investment policies to ensure that we remain well capitalized under the RBC regulations. NCUA should consider including a transition period for credit unions that reach the $50 million threshold. Otherwise some credit unions might intentionally slow their growth to avoid RBC compliance.

One of the main concerns I have with this proposal is that by emphasizing concentration risk, it exaggerates the risks of credit union assets. While my credit union does not specialize in making member business loans, those credit unions that do should not be penalized simply because some of their loans exceed concentration limits. Similarly, NCUA would penalize credit unions that have concentrations of real estate loans without taking into account the competency of the underwriting or a credit union's track record in making successful loans.

As an individual who has dedicated her life to the credit union movement and the people it helps, I am troubled that NCUA is actively discouraging credit unions from investing funds in the industry. My credit union chose to recapitalize the corporate system in part because my board and I believe that credit unions need credit union-based institutions in order to invest and grow. Unfortunately, NCUA is responding to the industry commitment of mine and other like-minded credit unions by imposing a 2.00 risk weighting on corporate perpetual capital and a 2.50 weighting on CUSO investments. Does NCUA

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will really want to send a message that credit unions that don't invest in their own industry are safer than those that do?

For any comprehensive risk-based capital proposal to be truly effective, all credit unions must be given access to secondary capital to help them grow in response to member needs. Even before NCUA proposed RBC reform the Credit Union Association of New York took a leading role in advocating for expanded access to capital. We are seeing these efforts take hold in Congress and we urge NCUA to join the industry in explaining the benefits secondary capital to lawmakers.

Conceptually RBC reform could be helpful if its primary focus were interest rate and not concentration risk. I hope NCUA will take these concerns into account as it works for the remainder of the year to promulgate an RBC framework.

Sincerely,

Marie Betti

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