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May 20, 2014

Mr. Gerard Poliquin, Secretary
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

RE: Comments on Proposed Risk-Based Capital Prompt Corrective Action Rule

Dear Mr. Poliquin,

I am writing to address my concerns with the current proposal for Risk Based Capital. I agree with the need for risk weighting assets to better assess a particular credit union's risk. I do feel however, that the proposed rule has several issues. They are as follows:

Risk weighting of first and junior lien Mortgages

The risk weighting of first and junior lien mortgages should be at 50% and 100% respectively, no matter what percent of assets they represent. I do not see reason to increase the percentage of weighting based on their percent of assets. As a credit union that has a high percentage of mortgage loans, I find this to be prohibitive to our operation. We have only had a handful of foreclosures over the last 10 years as we have been making good common sense mortgage loans, utilizing the standard 3 C's of credit. While the rest of the mortgage industry has pulled out or shut down, it has been the credit unions who have stepped in and filled the void. Credit unions will continue to meet the needs of their members based on good old fashioned common sense lending. I would highly encourage that you consider the role credit unions play in today's mortgage market and the impact of risk weighting these assets.

18 month timeline of implementation

The 18 month timeline is not nearly long enough for credit unions to prepare for this rule and its impact. One of the biggest differences between us and our banking counterparts is the fact that we can only take capital on through retained earnings. In order for some credit unions to build the required capital through retained earnings or to divest of assets, they will need more than 18 months. I would propose that you look at doubling this timeline at a minimum to 36 months. I would also suggest that you consider a phase-in approach, similar to Basel III. A short implementation period could bring about severe consequences for the credit union industry as credit unions rush to restructure their balance sheets.

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Exclusion of NCUSIF fund in calculation

The exclusion of the NCUSIF fund from both the numerator and denominator does not make any sense to me. I understand that this might be conservative as the NCUA is saying that they might someday have to come to credit unions and have them expense and write down their share insurance similar to the corporates did with our PIC. However, I think it needs to be taken into account that we just endured one of the largest banking crisis ever and this did not occur. To say that we would write down 100% of our NCUSIF does not make sense. A much more sensible alternative would be to take say 25% of it off the both the numerator and denominator.

In conclusion I hope the NCUA takes into account the comments and suggestions that are submitted by all credit unions when issuing the final version of the regulation. I do agree with risk weighting, I just do not understand how credit unions could be subject to higher requirements than our banking counterparts. Especially when you take into account that we had nothing to do with the financial nonsense that went on during the last financial meltdown.

Respectfully,

Mark Dietrich
President

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