Cornerstone CFCU

May 22, 2014

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

Dear Mr. Poliquin:

I am writing this letter on behalf of Cornerstone Community Credit Union to express my concerns with NCUA's risk-based-capital framework. Cornerstone is currently in compliance with both its risk-based net worth and PCA requirements. In contrast, without substantial changes, this proposal will have a direct and negative impact on the credit union's ability to serve its members since Cornerstone will have to adjust its investment and lending policies to ensure that it complies with RBC requirements.

NCUA has not justified why this regulation is necessary. The vast majority of credit unions are adequately capitalized and has proven they had the ability to withstand a severe economic downturn. While it is true that more than 100 credit unions were conserved in the last five years, that number is not particularly high given the economy in which credit unions operated. Existing law and regulations already require larger credit unions to be adequately capitalized under a risk-based net worth analysis. Given the performance of credit unions, it is not clear why NCUA needs to create a new risk-based capital category of "well capitalized" credit unions, particularly since former New York Senator Alfonse D'Amato has said that it was never the intent of Congress to give NCUA the authority to do so.

Not only has NCUA not justified the need for risk-based capital reform, it has also not justified why it should have the authority to establish capital requirements for individual credit unions above those that would be mandated under a risk-based capital framework. This is just too much power to give to NCUA particularly since it would be applied against credit unions that are in compliance with existing capital regulations.

Credit unions should be allowed to manage their lending and investments with the flexibility needed to both serve the needs of their members and ensure the safety and soundness of their credit union. I am concerned that this proposal will force credit unions to put more emphasis on managing their balance sheets then on doing what is best for their members, especially since many of the proposed weightings do not accurately reflect a credit union's asset strength. For example, Cornerstone's capital ratio is harmed by NCUA's decision to double the size of the risk associated with corporate Paid in Capital. In developing a new corporate system, NCUA specifically imposed capital requirements and investment limitations to make the corporate system safer. There is simply no evidence that today's corporate capital is a high-risk investment. NCUA is also wrong to assume that the length of an investment should determine how it is weighted. An asset's collateral (e.g. a bond backed by the US government) is a much better indication of how safe an investment is than is its length.

Keeping in mind that even well-capitalized credit unions will have to examine their policies and make changes in response to this new RBC framework, credit unions should be given least four years, not eighteen months, to be fully compliant with this proposal. Banks are being given a similar timeframe with which to comply with their new RBC requirements. Since many credit unions cannot access supplemental capital, extending the timeframe is the only way in which this proposal can be implemented without forcing credit unions to reduce their size. This proposal also underscores why all credit unions need access to secondary capital. I hope that NCUA will help credit unions educate Congress on the need for this authority.

NCUA has indicated that it is willing to make important changes to this first draft. While RBC reform could help credit unions, this proposal will result in fewer products and services for members. Thank you for your time and the ability to submit our comments and concerns.

Sincerely,

Ann M. Hood

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President/CEO

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