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

Re: Proposed Rule – Prompt Corrective Action – Risk-Based Capital (RIN 3133-AD77)

Dear Mr. Poliquin:

CDC Federal Credit Union appreciates the opportunity to submit the following comments on the above-referenced notice of proposed rulemaking (NPR).

The National Credit Union Administration (NCUA) published the NPR in the federal register on February 27, 2014. The stated purpose of the NPR is to "amend NCUA's regulations regarding prompt corrective action (PCA) to restructure the part, and make various revisions, including replacing the agency's current risk-based net worth requirements with new risk-based capital requirements for federally insured 'natural person' credit unions." The NPR indicates that the new risk-based capital requirements will be "more consistent with NCUA's risk-based capital measure for corporate credit unions and the regulatory risk-based capital measures used by the Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve, and Office of the Comptroller of Currency (Federal Banking Agencies)." The proposed rule changes would potentially "revise the risk-weights for many of NCUA's current asset classifications; require higher minimum levels of capital for federally insured natural person credit unions with concentrations of assets in real estate loans, member business loans (MBLs) or higher levels of delinquent loans; and set forth the process for NCUA to require an individual federally insured natural person credit union to hold higher levels of risk-based capital to address unique supervisory concerns raised by NCUA."

I am writing on behalf of CDC Federal Credit Union, which was founded by employees of The Centers for Disease Control and Prevention in 1949. Currently our credit union additionally serves multiple SEGs and an underserved community charter provides membership eligibility within a defined geographic area located in Atlanta, Georgia. We have 18,000 Members and $264,000,000 in assets.

Under the proposed rule, CDC Federal Credit Union's Net Worth Ratio would remain above the required minimum of 7% to be a well-capitalized credit union, however, the Risk-Based Capital Ratio would fall short of the required 10.5%. According to the NCUA's calculator, our Risk Based Capital ratio would be 9.67% at 12/31/2013, lowering our rating to "Adequately Capitalized."

While I understand and even support a risk-based capital system, I feel strongly your proposal takes far too broad an approach to determining the capital required for operations. Like banks, credit unions take risks in making loans to people and invest excess funds in the market to maximize returns. Unlike banks, credit unions can only raise capital through retained earnings, and your proposal will clearly require credit unions to reduce their return to members through lower dividend rates on deposits and higher rates on loans. Fees for services will also be forced to align much more closely to those charged by banks

You say you want to be "more consistent with NCUA's risk-based capital measure for corporate credit unions". The business model for natural- person credit unions is significantly different than the corporate credit union model. Surely you are aware of those differences as you continue to monitor assets under your management from the two largest failed corporate credit unions. Natural person credit union failures occurred, but fell far short of the losses from Corporate failures, and in fact, well-capitalized credit unions more than covered the costs associated with all failures during the great recession. Perhaps that is the most compelling argument against the requirements you are proposing in your new rule.

You also say, "you want to be more consistent with the regulatory risk-based capital measures used by the Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve, and Office of the Comptroller of Currency (Federal Banking Agencies)." Your proposed rule does have some parity with the bank regulator's application of Basel III, but has many inconsistencies. Please reconsider your definition of "concentration" to reduce the excessive risk-weights you are assigning to all real-estate secured loans. Under your proposed rule you are driving credit unions away from making consumer's the loans they most need and want to purchase or renovate their homes. Assigning a lower risk weight on first mortgage loans (regardless of terms), but then assigning a higher weight to "all other lien positions" (also regardless of terms) is sending a very mixed signal that interest rate risk is far less of a concern than collateral risk….and neither addresses credit risks. Equity Lines of Credit are a very financially smart way for consumers to finance practical life needs, are generally underwritten as conservatively as first mortgages, and do not present interest rate risk….yet, your proposed rule weights them higher. I recommend you be in parity with the FDIC ruling regarding this section.

Your proposed rule would allow examiners to impose higher capital requirements on credit unions on a case by case basis, but does not give any case for the proper arguments for such an action to occur. I have served in both the banking and credit union industries for thirty nine years and find this section of your rule completely unacceptable. Far too much discretion is allowed here and your proposal opens the door wide for closer "regulatory" (I use this term very loosely here) scrutiny based almost solely on the mood and/or personality of the examiner. Please remove this section of your proposal entirely.

Do you agree with the risk weightings for:

- MBLs
- Mortgage Loans
- Longer-term investments
- Consumer loans
- CUSOs Investments and Loans
- Others (Please identify)

Should the NCSUIF deposit be excluded from the calculation of RBC ratios?

Should goodwill be excluded from the calculation of the RBC numerator?

Do you agree NCUA should be able to restrict dividend payments as the proposal would provide?

Do you agree with NCUA's implementation time line? If not, how much more time should credit unions be provided?

Do you have other concerns with the proposal? Please explain.

Summary of your position:
[Write the summary of your position here.]

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.