From:	Alice McCoy
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Friday, May 23, 2014 1:00:55 PM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Wood County Community FCU, which serves Wood County, West Virginia. We have 3100 members and 18.3 million in assets. Wood County Community FCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

The additional capital resources required by this proposal will not only result in significantly lower levels of member service and satisfaction but will also put credit unions at a distinct competitive disadvantage relative to the nation's for-profit banking sector. This is a perverse result given the demonstrated historical conservative operations of credit unions and the role credit unions played during the downturn - both as a countercyclical force (lending as the banks pulled back) and a safe haven (taking in deposits as banks turned consumers away). Policy makers should be encouraging more of what credit unions do, not less and this proposal demands less.

There is no need for the proposed system. The Agency has chosen an excessively blunt instrument that punishes too many credit unions with higher capital set-asides, especially in light of the fact that the current system held up incredibly well throughout the worst economic catastrophe since the Great Depression.

Many hundreds of healthy small credit unions will soon be larger - growing across the arbitrary $50 million threshold that automatically makes them complex under the proposal. Inflation alone will cause a significant number to cross the threshold. Indeed, using historical average inflation rates - your $40 million credit union becomes a $50 million shop in roughly ten years. This will expose hundreds of small credit unions to the proposal's unreasonable risk weighting system and defective interest rate risk scheme, while it will seriously inhibit their growth, vitality and viability.

I would like to suggest: 1) that you fix the proposed risk weights to reflect marketplace realities: The current weights bear no relationship to actual credit union losses over time - both from the standpoint of losses relative to those in the banking sector
2) Remove the interest rate risk component from the calculation and keep interest rate risk evaluations in the realm of the examination function.
3) Remove the proposal to allow examiners to impose arbitrary requirements.
4) Index the $50 million threshold definition of "complex". Consider providing a "safe harbor" definition of non-complex that would allow CUs to avoid the "complex" definition.

As the CEO for Wood County Community FCU I feel that a better solution should be forthcoming as I feel NCUA would be doing the small credit unions a major injustice.

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

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Sincerely,

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