May 23, 2014

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

VIA ELECTRONIC DELIVERY: regcomments@ncua.gov

RE: Prompt Corrective Action – Risk-Based Capital; RIN 3133-AD77

Dear Mr. Poliquin**:**

Per NCUA's request, I respectfully submit the following comments for the Board to review in consideration of modifying the proposed RBC regulation.

My initial concern with the proposal is that it includes other risk factors not specifically addressed in the PCA provisions of the Federal Credit Union Act. By including interest rate risk, concentration risk and liquidity risk, NCUA will impede credit unions ability to serve their members. As a result credit unions will become less competitive relative to banks that operate under less stringent guidelines.

The economy in the late 2000s was the most dramatic economic recession in the history of credit unions, and the worst economic disaster since the Great Depression of the 1930s. In 1934, the Federal Credit Union Act was passed to assist in the nation's economic recovery. By requiring credit unions to restrict certain types of lending or investments, the proposed regulation will have the opposite effect and will limit the amount of assistance credit unions can provide in the future.

Given it appears NCUA is determined to change the current RBC structure; I am compelled to share my following concerns:

1) Mortgage risk rates do not take into account either the loan to value or the quality of the portfolio.
2) The CUSO risk weighting is fixed at 250% regardless of the profitability or capital levels of the CUSO. If a CUSO has significant capital, it should not have a negative impact on a credit union that governs a financially stable CUSO with the purpose to better serve its members.
3) The Member Business Loan risk weighting is 100% regardless of the credit quality of the MBL portfolio, even if the portfolio has a 0% delinquency rate. For example, CCCU currently maintains a MBL portfolio of $21 million with a 0% delinquency rate and 0% charge off rate for the last 24 months yet under the proposal would have to apply a risk weighting of 100%.
4) Risk weights on MBL limits greater than 12.5% of assets are punitive to credit unions who were exempted by congress in 1998 to have a higher concentration in MBLs.

5) The definition of a complex credit union under the proposed regulation is over $50 million in assets, yet the NCUA considers the definition of a "Small Credit Union" to be under $50 million in assets. Basically a credit union would change from small to complex within the first month following their assets increasing to greater than $50 million. The definition of a complex credit union, in my opinion, should be raised to a much higher threshold of $250 million in assets.

6) The 18-month implementation period is insufficient. Credit Unions may need to completely restructure their balance sheets to adjust for the perceived risks in the proposal. Depending on the credit union's asset allocation and concentration in long-term assets such as 1st Mortgages, it may take up to 7 years to implement.

7) Imposing additional capital requirements on a case by case basis is too vague and does not specify who at NCUA is authorized to impose additional capital requirements. I feel that this provision should be removed. However, if NCUA feels the necessity to keep the provision, it is vital that an independent appeals process require an impartial 3rd party arbitrator to determine the level of additional capital required.

Thank you for the opportunity to comment on this proposal. It is my sincere hope that NCUA will consider the viewpoints of all credit unions and make appropriate changes to ensure the safety and vitality of the credit union movement for future generations of Americans.

Sincerely,

Patrick J. Pierce, CCUE
President/CEO