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	FROM:
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COMPANY:	DATE: May 23, 2014
FAX NUMBER: (703) 518-6391	TOTAL NO. OF PAGES INCLUDING COVER: 3
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May 21, 2014

Gerard Poliquin, Secretary of the Board
National Credit Union Association
1775 Duke Street
Alexandria, Va. 22314-3428

Prompt Corrective Action Risk-Based Capital Comment Letter

I am writing on behalf of White Crown Federal Credit Union, which serves various membership groups such as the oil and gas industry, media and individuals living, working or worshiping in Downtown Denver. We have 6,400 members and $58 million in assets. White Crown FCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

I do not believe the changes proposed in this rule are necessary as credit unions do not need to be viewed the same way as banks. Credit unions have had the current measure of capital in place for many years and have suffered far less losses than the banking industry who uses the risk-based capital approach. Furthermore, if a credit union has proven to be stable enough to survive through the recent economic environment, why would it now be punished for using the same strategies that got them through the storm including mortgage-backed securities and real estate loans for income?

My credit union would be affected negatively by this proposal due to its complexity and our limited resources due to our size. Time from our management team would be drawn away from better serving our members toward working to fully understand and better comply with the changes stemming from this proposed rule. The time to analyze and adjust our balance sheet would be tremendous. Furthermore, our credit union will need to keep additional capital available keeping us from moving forward and being able to offer a full range of products and services to our membership.

To continue, the subjectivity allowed by the rule for examiners is most concerning. For a rule that is attempting to make credit unions more comparable, why is it that examiners can attempt to quantify qualitative factors to add an individual credit union's required capital? While I respect the agency experience tendered by examiners, it allows for too much room for error and inconsistencies. I recommend the elimination of individual minimum capital ratios from the rule.

In regards to the deduction of the NCUSIF deposit from the RBC numerator, I am concerned that NCUA is ignoring a valid asset. Since there are reasons this can be refunded to the Credit Union, I believe it should not be deducted.

Furthermore, the risk weights for investments miss their mark in the following areas:

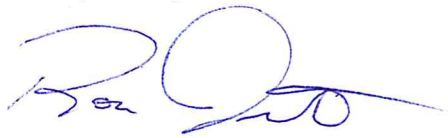
- Treasury securities are weighted at 0% regardless of their maturity dates while other investments with no credit risk are weighted by their individual WAL buckets
- A 30 year mortgage has only a 50% risk weighting while a Fannie pool of mortgages with a WAL of 5-10 years has a 150% risk weight
- The rule is particularly bias against long-term securities regardless of IRR results and sound ALM policies

The final concern I will address today is the 250% risk weight for CUSO investments. First, the maximum amount of loss for the investment would be the principle making 250% an unreasonable weight. Moreover, CUSO's are formed in the spirit that credit unions were founded – for collaboration and cooperation. Why would credit unions be driven away from joining together to compete against big banks, and strengthen the industry?

In summary, given the significantly lower loss figures of the credit union industry, we should move away from attempting to be viewed as banks to avoid the risk of causing more harm to the insurance fund. If this risk-based capital system did not work as well as a predictor of failure for banks, we cannot model after it for credit unions. The burden of building significant additional capital will cause credit unions to do less for their members. Adding capital will become even more difficult to do with being penalized for investing in asset-backed securities and investing in CUSO's to help us compete. Finally, examiner subjectivity without grounds for individual appeal will lead to unfair and inconsistent application of the rule.

If this rule goes through, the 18 month window is not a sufficient amount of time for the industry to prepare their balance sheets accordingly (with or without the above concerns addressed). Banks were given several years to make adjustments after learning of the changes from BASEL III.

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



Ron Justiss, Board Member

White Crown Federal Credit Union