From:	John Keet, Jr.
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Tuesday, May 27, 2014 3:01:38 PM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Personal Care America FCU, which serves several different employee groups including the Unilever Corporation and the employees and students of Fairfield University. We have just over 4,500 members and 21 Million dollars in assets. Personal Care America FCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

While our credit union would not be impacted immediately by the proposed rule we anticipate continued growth which will cause us to fall under it and I am concerned that the rule as proposed could have a debilitating effect on us which will affect the way we grow and serve our members.

My first question is why is this new approach necessary? Over the last 5 and a half years credit unions have dealt with the worst economic conditions any of us ever faced and have done so for the most part far better than our for profit counterparts. I may be naïve but it would appear to me that the greatest negative impact on the movement through failures occurred in the corporate credit union sector. If that is in fact the case natural person credit unions shouldn't have to "change" the way we do business because of a few who operated in a very different world from a risk standpoint. This proposal seems to be another "one size fits all" approach even though your stated objective is to get away from such a situation.

I also have to question your risk ratings. Why would any category carry a risk rating in excess of 100% of it's worth? If a credit union were to suffer a loss of the entire "investment/loan category" wouldn't allocating 100% risk to it cover the credit union? Again this may be another naïve question. It just seems to defy logic. Your "stepped" risk rating for real estate loans seems rather arbitrary as well. Why would you impose higher risk ratings as the portfolio grows? Isn't this a situation best handled in a review of a credit union's ALM philosophy?

I am also very concerned about the NCUA's ability to impose higher capital requirements on credit unions on a case by case basis. I have personally experienced differences in "philosophy" with examiners. If an individual examiner doesn't happen to like a particular type of lending or an investment strategy (assuming the credit union isn't violating any regulations) they can make life miserable for the credit union now; if this arbitrary and highly subjective element is left in a credit union can be ruined because of a "difference of opinion" which is not only grossly unfair but in the long run potentially harmful to the movement as a whole.

My last comment deals with the capital ratios themselves. Why if 7% capital has worked since 1934 should that threshold be raised? If you believe that a credit union should hold capital based on their risk profile why not develop a system where you define a "complex" credit that carries systemic risk and apply a risk based capital structure to them while a "plain vanilla" credit union continues to operate under the current structure? Why increase the capital ratio to over 10%? Worse yet the proposal requires a credit union to meet both capital levels to be "well capitalized". If you believe that the system needs to be tiered than I believe you should lower the "base" capital level and make the "risk" based level 7% to achieve a capital rating of well capitalized.

This whole process is being imposed on credit unions before we have the ability to access secondary capital. I feel very strongly that the current capital structure should remain in place until congress passes legislation that grants credit unions access to additional capital. Without the ability to raise additional capital and the imposition of this proposed rule NCUA basically will put itself in the position of "managing" how a credit union runs and I don't believe that is their mission.

In summation I believe that a major overhaul of the proposal should be undertaken before any risked based capital system is imposed. I do think that a more well thought out approach would be of benefit to the credit union movement but this feels as though the NCUA is “rushing” through their risked based capital proposal.

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

Sincerely,

John E. Keet Jr.
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