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GUADALUPE CREDIT UNION
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May 22, 2014

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Comments on Proposed Rule: PCA Risk-Based Capital

Dear Mr. Poliquin:

I am writing on behalf of Guadalupe Credit Union, a certified Community Development Credit Union serving a primarily low-income and Hispanic membership across six counties in Northern New Mexico. We currently have over 14,500 members and $135 million in assets. Guadalupe Credit Union appreciates the opportunity to provide comments to the NCUA on its proposed rule, Prompt Corrective Action – Risk-Based Capital.

Guadalupe Credit Union supports reformed risk-based capital standards, but has serious concerns with the proposed rule as currently defined. GCU Board and management feel that the proposed rule will negatively impact our members, limit our ability to fulfill our mission as a CDFI and will hinder our ability to compete against banks and other financial institutions in our market.

While Guadalupe Credit Union has consistently held a very strong capital position over the last decade, the proposed risk-based capital rule would significantly reduce our well-capitalized buffer. As a rapidly growing CDFI, Guadalupe Credit Union continually works to balance our mission of expanding access to fair and affordable financial services among underserved populations with safe and sound rates of growth. As currently outlined, the proposed rule could force GCU's Board and management to further constrict the credit union's growth and restructure its business model in ways that would limit our ability to invest in our underserved communities. Specific areas of concern include:

Several risk weightings proposed for credit unions exceed those of banks for the same assets and do not accurately assess underlying material risks. This discrepancy would create competitive disadvantages for GCU and other credit unions in the marketplace.

> In particular, the proposed risk weights for investments based on weighted average lives without regard to the issuers or guarantors of the investments is inconsistent with the risk weights used by other U.S. regulators. An investment portfolio held by GCU would be assessed at a much higher rate compared with bank rules for an identical portfolio.
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> The proposed tiered risk weights applied to real estate and member business loans could also negatively impact GCU, as it serves a highly rural and low-income field of membership with a disproportionately high demand for these loan types. The proposed rule ignores the historically lower risks of credit unions

in these areas of lending compared with those of small banks. Additionally, the rule does not distinguish among mortgage loans of various maturity and repricing terms in assessing risk. GCU holds only short-term fixed and adjustable rate mortgages on its balance sheet, well-positioned for a rising rate environment. The proposed rule would inappropriately limit GCU's ability to offer these products as affordable alternatives in its market.

NCUA already limits credit union investments in CUSOs, making the 250% risk weighting specified in the proposed rule unnecessary. The inflated risk weighting would discourage credit union collaboration and limit our ability to reduce costs, increase operational efficiency and offset declining non-interest income.

The proposed discretionary authority of NCUA examiners to assess higher capital on a case-by-case basis could allow for inconsistent application of the rule and undermine trust between credit unions and NCUA.

GCU has concerns about the provision for individual minimum capital ratios above and beyond those established by the proposed calculations for well-capitalized credit unions. The current version of the rule allows for an arbitrary assessment of credit union risk according to individual interpretation of the rule. The application of the final rule should be clarified to be consistent among all credit unions and examiners in order to ensure fair assessment of credit unions and protect the integrity of their relationship with NCUA.

Guadalupe Credit Union asks NCUA to reconsider the current guidelines of the proposed rule, particularly in the risk weightings assigned to certain types of investments and loans that would be out of line with comparable risk assessments for other regulated financial institutions, unwarranted by historical data, and that could place credit unions at a competitive disadvantage. We also ask NCUA to consider more clearly defining the guidelines for assessing additional capital requirements to avoid inconsistent application of higher RBC requirements across credit unions with similar performance and portfolio profiles.

With appropriate, consistent risk assessments, we believe that modernized risk-based capital requirements would help identify excessive risk in credit union balance sheets and could be a significant improvement over current Risk Based Net Worth standards. However, we believe that revisions to the proposed rule are necessary to avoid compromising credit unions' ability to respond to the needs of members and the marketplace, while strengthening the credit union system as a whole.

Thank you for the opportunity to comment on the Proposed Rule and share GCU's concerns. Please feel free to contact me with any questions concerning our comments.

Sincerely,

Winona Nava

Winona Nava
President/CEO