

May 23, 2014

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

Dear Mr. Poliquin:

On behalf of GPO Federal Credit Union I am writing in opposition to NCUA's proposed risk based capital plan. Credit unions could benefit from an enhanced RBC framework but this proposal has serious shortcomings and is not justified by the current condition of the industry. In addition, the proposed risk weightings incorrectly assess credit union assets and puts credit unions that invested in the recapitalization of the corporate system at a disadvantage to their peers who did not.

It is entirely appropriate for a risk-based capital framework to assess a credit union's concentration risk, interest rate risk and liquidity but the weightings proposed by NCUA exaggerate the potential risks of many investments and loans. For example, NCUA would give approximately \$21 million in member business loans made by GPO a 1.00 weighting. In contrast, non-delinquent first lien mortgages would be given a weighting of 0.50 up to certain concentration thresholds. What evidence does NCUA have to suggest that GPO performing MBL's are twice as risky as its non-delinquent mortgages, particularly when no consideration is given to the type of MBL loan being made?

I am also concerned that NCUA feels it is appropriate to impose weightings of 2.00 and 2.50 for investments in perpetual capital and CUSOs respectively. In devising its corporate regulations NCUA put severe restrictions on the ability of credit unions to sell corporate capital. It's now proposing to penalize GPO for sticking with the corporate system when it had the ability to get the services it was looking for outside the corporate system. In addition, while GPO would most likely not alter its \$30,000 CUSO investment if this regulation were implemented, NCUA wrongly assumes that all credit union CUSO investments are inherently risky.

Chairman Matz has indicated she is going to make modifications to this proposal in response to the comments of credit unions. I hope these comments are helpful.

Sincerely,



Nicholas Mayhew  
President/CEO