POLISH &SLAVIC®
FEDERAL CREDIT UNION

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May 28, 2014

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

Delivered via E-Mail: regcomments@ncua.gov

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

Dear Mr. Poliquin:

On behalf of the Polish & Slavic Federal Credit Union ("PSFCU"), a financial institution with $1.6 billion in assets and over 80,000 members, I thank you for the opportunity to comment on the NCUA's proposed risk-based capital rule.

Volatility

If the proposed rule is implemented as written, there could be significant volatility in risk-based capital ratios and rapid changes in classifications. For example, PSFCU would have experienced a decline in its risk-based capital ratio of approximately 200 basis points from March 31, 2013 to June 30, 2013 due largely to a change in loan prepayment rates and the resulting extension of the weighted average life of its securities available-for-sale portfolio. Because of the potential for significant volatility and rapid changes in classifications, credit unions may have to hold a relatively larger level of capital which, in turn, could result in lower dividend rates, higher loan rates, and reductions in services provided to members.

Risk-Weightings

In my opinion, the risk-weightings assigned in certain cases appear arbitrary. The final rule should set forth the rationale for all risk-weightings including the specific risk(s) each risk-weighting is intended to address.

First Mortgage Real Estate Loans

Under the proposal, first mortgage loans made without verified income would not meet the definition of "first mortgage real estate loans." I believe that the definition in the final rule should grandfather loans made without verified income prior to the effective date of the final rule. Due to the implementation of Dodd- Frank Act resulting in new Truth In Lending disclosure the origination of no income verified loans currently non exists.

Investments

The proposed rule assigns the same risk-weighting to securities issued by U.S. Agencies and Government Sponsored Agencies as it does to privately-issued securities, thus it is clear that the weightings reflect only interest-rate risk and ignore credit risk. This is perplexing as privately-issued securities represent a comparatively higher level of credit risk and as credit risk (but not interest-rate risk) has been considered in the proposed rule for U.S. Treasury securities and NCUA Guaranteed Notes. In my opinion, risk-weights for investments should capture both interest-rate risk and credit risk.

Implementation Period

I believe that the 18 month implementation period in the proposed rule may be an inadequate period of time for certain credit unions to, as necessary, build capital to an appropriate level and to effect changes in the balance sheet in a safe and sound manner. I recommend that the final rule provide for an implementation period of at least three years.

Conclusion

In conclusion, while I understand the NCUA's intent in issuing the proposed rule, I do not believe it accomplishes the objectives of the NCUA. Further, I believe that it could be highly detrimental to the Credit Union industry and its members. Accordingly, I recommend that the proposed rule be abandoned and that the current risk-based capital structure remain in place.

Respectfully Yours,

Bogdan Chmielewski
President and Chief Executive Officer