Entertainment Industries Federal Credit Union
550 Madison Avenue (550/20), New York, NY 10022-3211
Mailing and NJ Office
16 W. Grand Street, Elizabeth, NJ 07201
Phone: (212) 833-5533 (908) 282-9881 Fax: (908) 282- 9885
www.eicu.org

May 23, 2014

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

Dear Mr. Poliquin:

As the CEO of Entertainment Industries Credit Union, and a member of the Board of Directors of the Credit Union Association of New York, I am writing this letter to express my concerns with NCUA's risk-based capital proposal. While Entertainment Industries would not be subject to this proposal, it would impact all credit unions. In addition, as a board member of the Credit Union Association of New York, I know firsthand that many credit unions with at least $50 million in assets are concerned that this proposal will negatively affect them.

Like many credit unions with which I have discussed this proposal, I feel that NCUA has not adequately explained why the credit union industry needs to adopt a more advanced risk-based capital framework. The industry faced challenges during the Great Recession but the vast majority of credit unions remained well-capitalized. In a recent video, Chairman Matz argued that risk-based capital reform is needed because 102 credit unions went into conservatorship in recent years resulting in approximately $750 million in losses to the share insurance fund. Given the fact that credit unions now hold over $1 trillion in assets, these numbers actually demonstrate that the industry's underwriting standards combined with its capital adequately addresses future contingencies.

I am also concerned that many of the risk weightings are mistakenly calibrated and will result in credit unions making fewer loans to qualified members. For example, NCUA is proposing heightened capital weightings for credit unions that hold concentrations of mortgage loans. This concentration risk approach to RBC doesn't take into account either the quality of a credit union's underwriting or the member demand for the mortgages being offered.

NCUA is also hampering credit unions that make longer term investments and invest within the credit union industry. There is no proof that simply because a loan exceeds five years it is always riskier than a shorter term investment. In addition, by imposing the heaviest risk weightings on investments in perpetual capital and CUSOs, NCUA is inexplicably discouraging credit unions from investing in the industry.

I hope that NCUA reconsiders this proposal in its entirety. There is no need for RBC reform but if NCUA feels the need to go forward, it should only do so after deemphasizing concentration limits and investment length.

Sincerely,

John C. Gibardi
Pres/CEO