Erie Federal Credit Union

Financial Solutions From Local People You Trust®

May 21, 2014

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

Re: Comment to the Proposed Prompt Corrective Action – Risk-Based Capital Regulation

Dear Mr. Poliquin:

Erie Federal Credit Union is a $400 million community chartered credit union serving the Erie and Crawford county communities and currently over 48,000 members. On behalf of Erie FCU, I would like to provide the following official comment letter regarding the NCUA's recently proposed risk-based capital rule.

Initially, I would like to point out that under the proposed risk-based capital rule, Erie FCU would continue to be considered a "well capitalized" credit union; however, our "well capitalized" cushion from the minimum capital required to be considered well-capitalized would decrease over 100 basis points. These appears to be excessive and could force Erie FCU to manage the credit union to a higher level of risk-based capital, as opposed to better serving our membership – like it has been for over 78 years.

The current Risk Based Net Worth requirement has served credit unions well for years now, why does it need to be changed – simply to require higher capital requirements for credit unions?? That does not make sense – and if it does – when will higher capital requirements come into play in the future and why – whenever the regulators feel it is necessary? This change seems to be setting a bad precedent for the future of credit unions. While Erie FCU would remain well capitalized, for now, what about the other smaller credit unions that WILL BE affected by this capital change immediately if put into place and what will be their option – to manage to a risk based capital rule.

Specifically, I would like to point out a few concerns I have with the proposed rule:

1. Gives NCUA the authority to require higher minimum risk based capital ratio for individual credit union's based on NCUA's "expertise". This is giving NCUA too much power with subjective judgments leading to second guessing of our board's decision making. This needs to be eliminated from the rule.

2. Investment risk ratings are simply too high, considering no credit risk, especially on investments over 5 years.
3. The rule is biased against longer term, fixed rate assets, loans and investments, which are much higher than banks – at least make them equal.
4. NCUSIF is a valid asset – my credit union used to receive a dividend on it, why not include it in the numerator of the calculation.
5. The CUSO investment risk metric is too high at 250%. CUSOs provide invaluable access to expertise in business lending and mortgage lending that provide our membership, quite frankly, a better way of life, and to arbitrarily deem investments in CUSOs riskier against the credit union's motto – people helping people.
6. Business loan risk ratings are too high and much greater than banks – why put credit unions at a competitive disadvantage.
7. The timeline to implement is too short – allowing for only 18 months after final passage.

I am deeply concerned that the credit union movement will benefit in no way by the proposed change and worst of all, its members will receive no benefit and very possibly less cost effective products and services our members have grown to expect and utilize and help financially. If less credit unions is the result you are looking for, this is likely to be accomplished; unfortunately what "well capitalized" credit union will want to merge with those credit union affected by this proposed change and if mergers don't occur, who will step up to take over these possibly capital challenged credit unions. Or does converting to a bank become more of a real possibility for credit unions as simply a better way out from under these restrictive capital requirements. I request that the NCUA powers that be take another hard look at what is being proposed and make it more fair and equitable for the future of the credit union movement.

I would like to thank you for the opportunity to comment and hope that the new proposed risk based capital rule does not get implemented without some major changes.

Very truly yours,

Jim Lazan

Jim Lazan
Vice Chairman
Erie Federal Credit Union

Cc: Deborah Matz, Chairman
Michael Fryzel, Board Member
Richard Metsger, Board Member
Erie FCU Board of Directors
Brian Waugaman, CEO Erie FCU