



**Northeast
Family
Federal Credit Union**

May 22, 2014

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

Dear Mr. Poliquin

I am writing on behalf of Northeast Family Federal Credit Union, which serves over 100 select employee groups in Eastern Connecticut. We have 6,455 Members and \$72,405,867 in assets. Northeast Family Federal Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

Northeast Family FCU agrees that a risk based capital regulation is prudent and necessary. Under the proposed regulation, Northeast Family FCU would be well capitalized at 12.73%. We are, however, concerned that the proposal allows NCUA to impose higher capital requirements on credit unions on a case by case basis. We do not believe that this should be allowed.

We are also concerned that the risk weights on long-term assets are an attempt to address interest rate risk without regard to the mitigating effects of liability maturities. We can understand the need to have an adequate capital cushion to absorb potential losses due to interest rate risk, however, interest rate risk is not solely measured in terms of the length of assets. The structure and term of liabilities as well as other mitigation strategies can offset the interest rate risk of long term assets.

As proposed, the target for implementation is 18 months. We believe that this is not adequate time to implement this regulation and that a three to five year implementation timeframe would be more appropriate.

In summary, a risk based capital regulation is needed and prudent. We believe that the proposed regulation can be improved by

- removing NCUA's ability to impose higher capital requirements on a case by case basis
- allowing for the liability term structure and interest rate risk mitigants in weighting long term assets
- and lengthening the implementation time line

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

Joanne Todd
President/CEO