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

Re: Comments on the Proposed Prompt Corrective Action-Risk Based Capital Regulation

Dear Mr. Poliquin:

I am writing this letter to comment on NCUA's Risk Based Capital proposal.

FocalPoint Federal Credit Union is among a group of credit unions that would be uniquely affected by this proposal. With $49 million in assets it would currently not be subject to the regulation, but most likely would be by the time the proposal takes effect. In addition, with a projected risk based capital ratio of 15.12% as opposed to existing risk based net worth ratio of 7.67%, the credit union would have a stronger capital position under NCUA's plan. However, while FocalPoint would remain well capitalized under the proposed system, its capital cushion would shrink by more than $400,000. Nevertheless I am concerned about the regulation's impact on the industry as a whole.

I agree that each financial institution should have an adequate amount of net worth to support its strategy and the corresponding risks inherent in the strategy so as to not pose a threat to the National Credit Union Share Insurance Fund. NCUA however has not justified the need for this proposal to be enacted at this time. It is unfortunate that the conservatorship of more than one hundred credit unions resulted in losses to the Share Insurance Fund, but given the size and length of the Great Recession, the industry has performed well. The vast majority of credit unions have more than adequate capital and NCUA should not be implementing this dramatic shift because of a relatively small number of credit unions. Furthermore, I believe that credit risk, which is already addressed by existing risk based requirements, and concentration risk can be guarded against without assigning weights to almost all credit union lending and investment decisions.

Even though the regulation would be applied to credit unions with assets greater than $50 million, FocalPoint and most other credit unions with assets of $40 million or more will have to manage its assets with this regulation in mind long before reaching the threshold. This is unfortunate since my credit union already avoids many of the risks NCUA is seeking to guard against, such as CUSO investments and business lending. In addition, the risk weighting numbers appear to be arbitrary rather than based upon historical data. The reality is that if and when the new capital requirements take effect they will inevitably lead to more conservative investments and product offerings resulting in decreased services to credit union members.

While it would be wonderful to have a computer program take a credit union's raw data and come up with a universal, perfect level of capital needed to sustain the credit union, the concept is flawed. Every credit union is a dynamic organization that exists within a larger universe. There is no one size fits all in that universe. If credit unions are evaluating the risks inherent in the strategies they are implementing for loans and investments, then they are mitigating those risks with credit risk, interest risk and liquidity risk assessments. This thinking will handcuff those well run credit unions.

I am especially concerned about the proposal to give examiners the power to impose arbitrarily higher capital standards on individual credit unions. As is the case with most human beings, they all interpret regulations differently. If NCUA's goal with this proposal is to provide credit unions with an objective analysis of capital, allowing the examiner to add a subjective interpretation could harm credit unions that have been well managed.

Finally, if NCUA goes forward with this proposal, it should consider implementing a phase-in period for credit unions that breach the $50 million threshold. This will enable growing credit unions to continue to grow, while ensuring that once credit unions reach a certain asset size they have adequate time to adjust to the more robust capital framework. Similarly, NCUA should extend the time credit unions have for complying with this regulation. Eighteen months seems too short a period of time to readjust the credit unions portfolio. I would note that banks are being given four years to comply with all of their Basel III requirements.

In summary, NCUA should review the proposal with added emphasis on the following items:

a. Adjust the proposed risk weights to reflect historical marketplace realities.
b. Remove the proposal to allow examiners to impose arbitrary capital requirements.
c. Index the $50 million threshold definition of "complex" and consider providing a "safe harbor" definition of non-complex that would allow credit unions the opportunity to avoid the complex definition.

Sincerely,

Marilyn Marra Crolick

Marilyn Marra-Crolick
Chief Executive Officer