TEG®
Federal Credit Union

May 19, 2014

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

Dear Mr. Poliquin:

I am writing on behalf of TEG Federal Credit Union, a $200 million asset credit union serving over 24,000 members in New York's Hudson Valley region. TEG Federal Credit Union appreciates the opportunity to provide our comments to the National Credit Union Administration (NCUA) on the proposed rule regarding Prompt Corrective Action, Risk Based Net Worth.

We would like to begin by noting that TEG FCU supports a more sophisticated risk based capital framework for credit unions and strongly believes the proper framework will guard against the full range of risks including credit, interest rate, concentration liquidity, operational and reputation risk. However, we are deeply concerned with the proposal put forth by NCUA. First and foremost, we do not believe NCUA has adequately justified the need for this rule. In fact, the credit union industry came through one of the worst financial crisis strong, with the exception of corporates, which the natural person credit unions bailed out. If anything the current system has proven to handle the stress during tough economic times. However, as noted above, we support a more sophisticated framework so if the NCUA Board decides to implement a revised system it must include adequate time for implementation. In our opinion, this proposal does not provide the time period needed to phase in a new system.

As NCUA contemplates comments received, we urge the Agency to ensure it is assigning risk weightings based on actual risk and not unsupported assumptions. For example, assigning higher risk weightings on investments based on the length of their maturities or higher ratings on CUSO investments simply because it is a CUSO is faulty reasoning. On the contrary, a revised system should treat current and delinquent loans differently, assigning higher risk weights to those that are delinquent. In addition, we are concerned with the fact that more credit unions

Poughkeepsie College Center Fishkill Hyde Park Wappingers Falls Beekman Newburgh
Main Office: 1 Commerce Street • Poughkeepsie, NY 12603 • (845) 452-7323 • 888-834-8255 • www.tegfcu.com

than NCUA has indicated would be impacted as their net worth would fall to just barely over well-capitalized or adequately capitalized levels. This change in capital levels will stall growth as credit unions focus on this new regulatory requirement. We know our members, our communities and our marketplace and should be able to continue to grow without additional regulatory burden.

Finally, in order to ensure all credit unions have the tools needed to manage their risk and capital levels we share the NCUA's belief that all credit unions not just low-income designated credit unions must have access to supplemental capital. As such, any revised framework should only be implemented if access to this form of capital is available to all credit unions.

In conclusion, TEG Federal Credit Union supports enhanced risk based net worth requirements. However, without significant improvements, the proposal will not create such a system. We ask the NCUA to reconsider its approach and revise the proposal, taking into account the concerns expressed above.

Thank you again for the opportunity to comment on the proposed rule.

Sincerely,

Stephanie Molinelli
Director of Marketing
TEG Federal Credit Union