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May 20, 2014

Mr. Gerald Poliquin

Secretary of the Board

National Credit Union Administration

1775 Duke Street

Alexandria, VA 22314-3428

RE: PCA – Risk-Based Capital

Dear Mr. Poliquin:

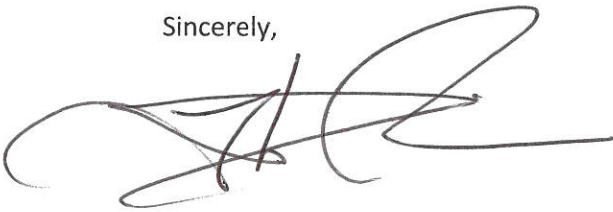
Midwest Operating Engineers Credit Union (MOECU) located in the Chicagoland area with \$48 million in assets and 7,100 members would like to thank you and the board for giving us the opportunity to comment on the proposed **risk based net worth rule**. MOECU supports the ongoing efforts to improve and strengthen the future of the credit union industry. After reviewing the draft "PCA – Risk Based Capital RIN 3133-AD77" we suggest that our comments below be taken into consideration before finalizing this new regulation.

1. The proposed rule gives NCUA examiners the ability to impose higher capital requirements on individual credit unions. Examiners should not have this authority. Too many times it has been seen that the judgments of examiners vary from examiner to examiner based off their own personal experience, expertise and personality. Consistency is needed to impose higher capital requirements, maybe have a tiered system for capital requirements. Authority to impose higher capital requirements should be limited to a higher level of NCUA management such as Regional Director or the NCUA Board.
2. The proposed risk weight of share secured loans is 75%. Since these loans are fully secured, they should have a risk weight of 0 to 20% at the most.

3. The risk weight for cash on deposit at the Federal Reserve Bank should be 0%. Since the Federal Reserve is one of the NCUA designated sources of emergency liquidity, its safety and soundness should be similar to that of government agencies.
4. For securities, the 0% risk weight for Treasuries and GNMA MBS, regardless of the weighted average life ignores any interest rate risk and is lower than the 20% risk weight for cash on deposit at the Federal Reserve Bank.
5. I'm concerned that the mortgage risk weights in the proposal don't accurately portray the actual risk in the mortgage portfolio. It seems fair that second mortgage loans would have a higher risk than first mortgage loans, and it also seems fair that first mortgage loans with good Loan to Values (LTV) should have a lower risk than those with higher LTV's. I believe that multiple tiers would be beneficial for risk weighing a mortgage portfolio.

These comments/recommendations are not all inclusive but they are the ones most vital to MOECU. As the proposed rule stands now our credit union would not be greatly affected, but looking forward this proposed rule could greatly affect our ability to offer services to our members and could possibly reduce our chances to increase our net income.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Pierce', with a large, stylized flourish extending to the right.

Thomas J. Pierce

President