CommonWealth One
Federal Credit Union
Your Lifetime Financial Partner

Charlotte H. Cash
President/CEO

May 27, 2014

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

Re: Comments to the proposed Prompt Corrective Action Risk-Based Capital Regulation

Dear Mr. Poliquin:

On behalf of CommonWealth One Federal Credit Union please accept this letter in response to the proposed *Prompt Corrective Action Risk-Based Capital Regulation*. CommonWealth One appreciates the opportunity to provide comments on this proposed regulation. CommonWealth One has $325 Million in assets, serves 35,000 members and has over 200 select employee groups. CommonWealth One currently exceeds both the 7% statutory net worth standard and the proposed Risk Based ratio of 10.50%.

CommonWealth One does not believe the Risk Based Capital Regulation is necessary, but understands that some form of Risk Based Capital will be adopted by the National Credit Union Administration. Credit unions already have restrictions that are not imposed on banks such as fewer options on investing excess funds and a limit on member business lending.

Some of our specific concerns we have with the proposed regulation include:

- The risk weighting on cash on deposit, including Federal Reserve Bank balances is 20%. Consideration should be given to change this risk weight to 0%.
- The risk weighting on agency Mortgage Backed Securities (MBS) ranges from 75% to 200%. CommonWealth One has invested in agency MBS with its implicit U.S. Government guarantee as a means to measure risk. Consideration should be given to assigning a lower risk-weight to investments with an implicit U.S .Government guarantee.
- The risk weighting on Real Estate loans are very general and do not take into consideration any mitigating factors such as loan-to-value, debt-to-income ratio and credit scores. Additionally, the risk weights are very subjective and higher than those applied to banks.
- The risk weighting on fixed assets of 100% (such as building, furniture and equipment) seems unnecessary in most cases. Credit unions must invest in fixed assets to serve the immediate and future needs of their members. The current 5% cap on fixed assets already helps to manage this area of risk and requires credit unions to seek an NCUA waiver to exceed this cap. Consideration should be given to assigning a lower risk-weight to fixed assets when the 5% cap is maintained.

- The risk weighting of 250% for investments in Credit Union Service Organizations (CUSOs) is excessive and penalizes credit unions that have invested in CUSOs. This leads one to believe that NCUA believes that CUSOs are very risky investments. This could force credit union to divest in CUSO partnerships or not seek them at all. Many of these CUSO partnerships enable credit union to offer services (1st mortgage, investment, credit card) which they could not otherwise provide.

- The current proposed effective date is significantly shorter than the amount of time given to Banks to adopt Basel III. The NCUA should delay the effective date to no earlier than January 2019; this would give credit unions time to reposition their balance sheets.

CommonWealth One appreciates the opportunity to share its concerns with the proposed regulation. The *Prompt Corrective Action Risk-Based Capital Regulation* could impact the future growth of our credit union and elements of our business plan.

Sincerely,

Charlotte H. Cash

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