GEFCU

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May 27, 2014

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

Sent via E-mail to: regcomments@ncua.gov

Re: Comments on Proposed Rule: PCA – Risk-Based Capital

Dear Mr. Poliquin:

On behalf of Government Employees Federal Credit Union (GEFCU), I offer the following comment letter on the recent National Credit Union Administration (NCUA) proposed PCA - Risk Based Capital Rule (RBC). The proposed RBC rule causes us serious concerns that we feel must be addressed or the result could put the credit union charter at a competitive disadvantage to our competitors. We concur with and support the concerns raised by the various credit union related organizations such as CUNA and NAFCU.

GEFCU's Risk Based Capital Ratio using NCUA's calculator on its website is 16.31 percent. This is a high level of capital when compared to our Net Worth of 8.64%. From all appearances based upon the Risk Based Capital Ratio, GEFCU is well positioned to meet challenges that may come up.

GEFCU has long been a conservatively run credit union taking minimal risk. The lack of risk is evident by the historically low delinquency and charge offs experienced by the credit union. This is due to the conservative loan underwriting that the credit union has engaged in over the years where every member got the same loan interest rate. In addition, the credit union has for several years only invested in Certificates of Deposits and held its accounts in Corporate Credit Unions to a minimum. The result is that our Gross Income to Average Assets is very low at 2.49 percent as of March 31, 2014. The lack of risk equates to low income.

I came to the credit union in January of this year. GEFCU has a lot to do in order to improve the earnings position of the credit union. New programs need to be implemented such as Risk Based Pricing, credit cards, investments in instruments other than Certificates of Deposits and new share account products to attract members such as a reward type share draft and IRA share accounts. As the credit union goes down the path of new products and services, with the proposed RBC rule there will be the unintended pressure to avoid changes that would adversely reduce the Risk Based Capital Ratio too much. Some changes in the Risk Based Capital Ratio will naturally occur as new programs are implemented and investments other than certificates of deposit are obtained.

The RBC rule as written discourages credit unions from taking risk. The risk weighting lumps broad categories without consideration of underlying risk. For example, an unsecured loan has different risk factors than a vehicle loan. If the intent is to reflect capital in relation to balance sheet risk, then there should be separate risk categories for each loan type tied to the loss experience of the particular loan category for the credit union.

If the credit union seeks to invest is a CUSO for statement processing or some other back office services to save expenses in the future, there is a deterrent in doing so. The risk weighting given to CUSOs of 250 percent does not consider what service the CUSO will provide. CUSOs should be broken down by categories such as lending services, investment services, data processing services, etc. and weighted separately.

Requiring a capital conservation buffer of 2.5 percent now when the requirement for such by the Other Federal Banking Regulatory Agencies are "expected to be fully implemented in 2019" is premature. Requiring credit unions to meet more stringent capital requirements sooner than banks put credit unions at a competitive disadvantage in the communities they serve. The time period for credit unions to meet the new standards should be pushed out to the later of 2019 or when the Other Federal Banking Regulatory Agencies are expected to have fully implemented their requirements.

In closing, we appreciate your willingness to allow GEFCU to comment on this important regulatory proposal. We respectfully and strongly encourage you to consider possible improvements to the Risk Based Capital Rule in accordance with our recommendations included in this comment letter and those of the credit union related organizations. The credit union industries strength, safety, soundness and long-term viability will be impacted by the capital structure under which it operates in the years and decades to come. Any changes to the credit union capital system should be done in a way to recognize the risk and allow credit unions to manage that risk. If I can be further assistance about this matter, please do not hesitate to contact me.

Sincerely,

Dee D. Crisp

Dee D. Crisp
President/CEO