From:	David Woodruff
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Tuesday, May 27, 2014 7:40:51 PM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Zia Credit Union, which serves members in the northern New Mexico community of Los Alamos, Rio Arriba, Taos, and Santa Fe counties. We have 13,000 members and $130 Million in assets. I appreciate the National Credit Union Administration (NCUA) giving plenty of time for credit unions to comment on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

Our greatest concern in the proposed rule is the granting of authority to the examiner to determine that an individual credit union needs to maintain higher risk based capital than the industry standards. This could allow for abuse of this power as there appears to be no limits on the reasons or percentages that the examiner could impose higher capital requirements.

I disagree with the extreme percentage (250%) placed on Credit Union Service Organization (CUSO) investments. These investments are a vital part of expanding services to members through the scale of cooperative efforts among credit unions. This requirement would have the effect of discouraging credit unions from utilizing the cooperative CUSO model to serve members. There is no justification for making all CUSO investments carry two and a half times more risk weight than that of corporate CU investments or any level of MBL commitments. NCUA already has limits on the amount of investments and loans a credit union can make in CUSO's. Because of these other limits, the extreme percentage placed on CUSO investments is not justified and would have a detrimental impact on mid-size credit unions use of the cooperative model to bring better services to members.

I am also concerned with the proposed implementation timeline. This short timeline would cause healthy credit unions, who have built balance sheets under the current rules, to potentially have to take losses to divest of investments or assets in the timeframe required. Alternatively, it could cause healthy credit unions to have to restrict or turn away member deposit relationships for the sole reason of adapting to the changed rules in a short timeframe. Since credit unions only have earnings upon which to build capital, the short implementation timeline does not accommodate the regular earnings building process to adapt to the new rules. This short timeline in and of itself would have a negative impact on members as otherwise healthy credit unions would have to re-shuffle their balance sheet in a timeframe that does not allow for long-range planning, avoiding premature divestment, and implementation.

In summary, I understand the need for substantive risk based capital standards but I believe the existing proposal misses the mark. The three areas of most concern to Zia Credit Union are Examiner powers to individually set higher capital targets, CUSO investment risk weighting, and the implementation timeline being too short for an industry with limited options to raise capital.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

David Woodruff
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