May 27, 2014

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

RE: Comments on Proposed Rule: PCA - Risk-Based Capital; RIN 3133-AD77

Dear Gerald Poliquin,

I would like to thank the National Credit Union Administration (NCUA) for giving us the opportunity to present our views and comments on the proposed rule of Prompt Correction Action – Risk Based Capital.

I am writing on behalf of United Catholics Federal Credit Union in West Covina, CA. We serve parishioners from fourteen Catholic Churches, within the Los Angeles County area. We have 3,621 members and 30.1 million in Assets. We are considered a complex credit union. For over 25 years, we have served our membership by offering a variety of loan products and services, including mortgage loans that vary in terms from 5 to 30 years. Did we ever have losses prior to 2007? No. Was our losses minimum compared to what we earned on mortgage loans? Yes. Our capital was reduced because we had to fund our ALLL and corporate losses. Are we recovering? Yes.

Our credit union generally supports risk-based capital principals. However, the proposed rule would severely damage our credit union industry by creating a significant competitive disadvantage. We would be faced with increased strain more than Basel III is on community banks.

It's very sad, that all of us, including NCUA, have experienced the worst economy since the great depression. The stress that it has placed on our industry along with NCUA has been enormous. Most credit unions, if not all, have had to find alternative strategies to increase income during this continued unrealistic period. The industry continues to improve. I urge NCUA to read our comments and to understand the unnecessary stress it will place on our industry. We respectfully submit the following comments on the proposed rule.

<u>Parity with Banks</u>

Risk-based capital is appropriate, but the requirements for credit unions should not be more restrictive and punitive than they are for U.S. banks and any other financial institutions in the world under the Basel III framework. This places credit unions at a disadvantage and will result in a reduced ability for credit unions to serve their members and the communities.

<u>Individual Minimum Capital requirements</u>

The proposed rule gives NCUA authority to require even higher capital for individual credit unions. This highly subjective element should be stricken from the rule. If this is not eliminated, an independent third party should be established to mediate any appeal between a credit union and NCUA. The NCUA should not be the examiner, the regulator, and the "appealed to" entity.

<u>NCUA is exceeding their authority</u>

Congress never intended for NCUA to set up a risk-based capital standard for well-capitalized credit unions. The Federal Credit Union Act directs NCUA to devise a risk-based requirement, but the risk-based component for the well-capitalized threshold can be no higher than the component for the adequately capitalized level.

However, this would not happen under the NCUA's proposal. This goes against the current Federal Credit Union Act and system of Prompt Corrective Action.

This proposal will have a negative impact to the credit union industry and would create a disadvantage. I would encourage NCUA, to take more time to evaluate and develop a more sensible approach-- that would become beneficial for the credit union industry, members and NCUA.

In conclusion, we urge the responsible decision-makers at NCUA to suspend this proposed lawful approach to risk based-capital requirements.

I thank you for considering our views on the proposed Risk-Based Capital rule and the opportunity to present our views and comments.

Sincerely,

Sincerely,

LUCY SLOAN
CEO
United Catholics FCU

cc: CCUL