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May 23, 2014

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

Re: NCUA proposed risk based capital requirements

Dear Mr. Poliquin:

Thank you for the opportunity to comment on NCUA's proposed risk based capital (RBC) proposal. While the concept of risk based capital requirements makes absolute sense, I believe that the proposed rule in its current form needs serious revisions.

The two areas which I believe need the most attention include the new RBC risk weighting and examiner discretion. The risk weighting system appears to unfairly penalize credit unions with low loan to share ratios and not commensurate with the actual interest rate or credit risk posed by the assets. For instance a non-delinquent first mortgage real estate loan may have a 50% risk weighting while a seven year federal agency security is weighted at 150%. The while a first mortgage has credit risk, the federal agency security is insured by a government agency and has virtually zero credit risk. The interest rate risk on the federal agency ends after seven years while more than 50% of the principal on a first mortgage is still outstanding after seven years and subject to further interest rate risk.

Risk weighting between types of investments also appears to be flawed. For example a Treasury security with an average remaining life in excess of five years carries zero risk weighting while a Federal Agency with mortgage back security with the same average life is weighted at 150%. Both instruments are insured either directly or implicitly by the US Federal Government. These are just two examples of the many problems with the weighting factors.

The second area that I believe needs serious revision is the examiner's ability to set risk based capital requirements at his or her discretion. I cannot begin to understand how this will be equably applied or explained across the system.

Sincerely,

A handwritten signature in black ink, appearing to read "Neal S. Takase", written over a white background.

Neal S. Takase
President/CEO