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| **From:** | Sandra Mullins |
| **To:** | _Regulatory Comments |
| **Subject:** | Prompt Corrective Action Risk-Based Capital Comment Letter |
| **Date:** | Tuesday, May 27, 2014 11:21:35 PM |

Dear Secretary of the Board Poliquin,

I am writing on behalf of the West Orange Municipal FCU, which serves over 28 employers and associations in Essex County, NJ and families living throughout New Jersey, Pennsylvania and several other states. We have 1,230 Members and $7.4 million in assets. West Orange Municipal FCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

Based purely on our asset size my credit union would not be affected by this proposal however I am writing because regulations that affect any part of the credit union movement ultimately affect us all. I believe that a number of aspects of the proposed regulation require reconsideration by the agency and the consequences of the regulation that reach credit unions below $50 million in assets be considered as well.

The risk weights assigned in the current proposal for both investments and loans indicate that credit unions make inherently riskier decisions in these areas than banks. Considering the resilience of credit unions throughout the economic downturn and recovery, historical data does not support this. The risk weights on investments, that increase solely based on weighted average life without considering the composition of the investment pool, seem unwarranted and an effort to control interest rate risk rather than addressing capital adequacy. Similarly the risk weightings on real estate loans, especially the category that includes home equities, again seem to ignore the quality of underwriting and the dollar amount and duration of individual loans by basing the weight on how much of the overall loan portfolio this category represents.

Throughout this economic crisis credit unions have been responding to consumer needs when banks have turned away both deposits and loans. This has been possible in part through the cooperative organization of credit unions and the movement's commitment to assist each other in achieving our goals for member service. CUSO's play an important role in this as do loan participation programs. Each of these unique credit union cooperative efforts will be impacted by the proposed regulation as CUSO investments may be discouraged and larger CU's that have traditionally offered participations that bolster a small credit union's balance sheet may retreat from these programs as they are forced to restrict their lending programs to address RBC needs.

The cooperative nature of the credit union movement means that the long term viability of institutions large and small is actually quite closely linked. I am very concerned that as the $50 million plus credit unions work to modify their balance sheets in response to this proposal as it currently stands they will be forced to curtail their focus on innovation and the extra operational and financial support provided to smaller credit unions. I would also note that the $50 million threshold requires more justification. Only recently was $50 million identified as the threshold between small and large and it appears to be used in this regulation without consideration for the complexity of the credit union's product offerings.

I am also concerned about the regulation's provision to allow examiner's to require higher capital levels on a case-by case basis. While examiners must be given some latitude to address a specific situation that threatens the viability of a credit union, the industry and NCUA have worked very hard over the last few years to bring transparency to the exam process and eliminate surprise findings at an exam conference. This provision reintroduces the potential for a great deal of uncertainty for a credit union who feels they are in compliance and suddenly discovers they are not.

Finally I am concerned that the 18 month timeline for implementation of this regulation is unrealistic. Even with modifications in risk weightings, removal of certain provisions or incorporation of other changes suggested by the industry and other concerned parties there most certainly will be new risk based capital rules. Adjusting a balance sheet to impact capital levels while still properly serving members will require consideration of maturities in existing portfolios, strategies for expanding or contracting various product lines as well as effectively communicating changes to the membership as a transition in offerings may occur. I would suggest a 3-5 year timeline would be more appropriate to effect these necessary modifications in a safe and sound manner.

I am proud to have been part of the credit union industry for over 20 years because it is an environment where financial services are provided to people of all socio-economic levels. Membership where every shareholder is equal and the mission is not profit for the few but the improvement of the many is unique and should be preserved. The risk-based capital proposal as it is currently presented may have the very real effect of destroying the institutions it purports to preserve.

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

Sincerely,

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