From:	Carol Galizia
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Wednesday, May 28, 2014 7:20:08 PM

Dear Secretary of the Board Poliquin,

I am writing on behalf of LA Financial Federal Credit Union, which serves LA County employees and those living in Los Angeles County, CA. We have 36,170 members and $352 million in assets. LA Financial Federal Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

Although our Credit Union would be considered well capitalized under the proposed regulation, we have concerns about the proposal.

First of all, we are not sure if the proposal is necessary and if enacted, it may have unintended consequences. Defining complex credit unions as only those whose assets exceed $50 million seems simplistic. Also, the proposal does not take into account the different business models that credit unions operate under. And, proposing stricter RBC requirements than banks may lead to charter conversions.

We would also like to understand how the risk weightings were derived. Why are risk weightings for MBLs higher than the levels compared to the banks? Credit unions have generally managed business lending risk better than banks and already have a cap for the amount of business loans they can hold in portfolio.

CUSOs have allowed credit unions to leverage the cooperative nature of credit unions in providing many lower cost solutions in serving our members. They also allow credit unions to avail themselves to higher levels of expertise and experience than they could otherwise hire internally by sharing those costs with other credit union partners. The proposed risk weight for CUSOs will virtually eliminate this option for credit union collaboration going forward. Many CUSOs are well established and have proven and sound business models. Their years of proven track records and risk management asre not taken into account with the blanket risk weight at an absurd 250%.

Long term investment risk cannot be determined solely from an amount in a term bucket on the call report. Also, we do not understand a risk weighting greater than 100%. Is it possible to lose more than the principal investment of the security?

The timeline for implementation, 18 months, is extremely short and could cause credit unions to make decisions that cause loss of income solely to improve their ratio without a supporting business case to do so. Banks have up to 9 years to fully implement Basel III, and they can go to the capital markets to boost earnings, unlike credit unions.

Finally, the major issue with the proposal is the examiner discretion to impose additional capital on a case-by-case basis. A sound RBC model would eliminate the need for examiner discretion.

We agree that NCUA has a duty to ensure that individual credit unions and the industry as a whole are capitalized according to the risk on their balance sheet, however the current proposal does not accomplish the objective.

We am thankful for the opportunity to comment on this proposed rule and for considering comments from the industry on the risk based capital requirements.

Sincerely,

Carol A. Galizia, President/CEO
1520 W Colorado Blvd
Pasadena, CA 91105