



May 28, 2014

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

Re: Proposed rule PCA – Risk-Based Capital

Dear Mr. Poliquin,

In reading the NCUA proposed Risk Based Capital Requirements I find that while the intentions are well founded there should be considerable more thought placed in the proposed rules before they are enacted. The times we live in today are still uncertain and this uncertainty should be met with caution and not with overreaction. This proposal and its subject is very complicated and due to its serious implications should be given careful consideration and revised. While in theory I agree with many of the issues in the proposal, here are a few of my concerns below.

Many credit unions are currently well capitalized with a comfortable margin but under the proposed rules they may find themselves just barely above or even below the well capitalized level. These proposed rules should be reviewed again and careful consideration needs to be placed on the impact to credit unions that are involved with some of the new risk weightings such as MBL, real estate lending and CUSO investments and how this will affect them. I understand the need for more capital requirements for credit unions with riskier balance sheets, but are your weightings the proper method to assure our safety and soundness?

The 18 month implementation period causes me concern. I fear this will cause undue financial instability for our members and our local economies, many of which are still in recovery mode. Why this unprecedented sense of urgency? Could new capital requirements not be completed in phases and achieved in 5 years as opposed to 18 months?

The authority given to NCUA and the examiners to require additional capital on a case by case basis is too open-ended and vague. I feel this will cause more uncertainty and instability with many credit unions that today are considered well capitalized under the current rules, and in 18 months, may be thrown into crisis mode. There are more effective rules currently in place for NCUA to handle any concerns with credit unions that have risky balance sheets.





I cannot speak for all credit unions but in my humble opinion I feel that we need to slow down and make sure this is the best road to take and is this the best vehicle to use on our mission to create safe and sound financial institutions for our members.

Respectfully,

A handwritten signature in black ink, appearing to read "Doug Putnam", with a long horizontal flourish extending to the right.

Doug Putnam
Executive Vice President
Kinetic Credit Union

