Greenwood Credit Union

May 27, 2014

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

RE: Comment on Proposed Rule: Prompt Corrective Action – Risk Based Capital

Dear Mr. Poliquin,

Greenwood Credit Union (GCU) sincerely appreciates the opportunity to submit comments on the National Credit Union Administration's (NCUA) proposed rule, Prompt Corrective Action – Risk Based Capital (RBC). GCU has been committed to improving the financial well-being of its membership since we opened in 1948. Over these many years of service, we have grown the credit union in a safe and sound manner to total assets of $393 million with a capital ratio of 9.02% as of March 31, 2014, which is a very comfortable 28.9% cushion over the current standard of 7% to be considered well capitalized. Furthermore, under the current standards, GCU's Risked Based Net Worth Requirement is 6.91% which again we far exceed. Under the proposed regulation GCU is one of the credit unions that go from "Well" to "Adequately" Capitalized even though in our last exam our capital ratio was unquestioned and has only improved since then. At GCU our board of directors is adamant that we maintain a capital level that is always considered to be "Well Capitalized", which would force our management team to make decisions in regards to products, services, and rates which would be detrimental to our membership. It is for these reasons as well as the fact that the credit union industry as a whole just came through the worst financial and economic crisis in 80 years relatively unscathed, that we feel this proposed regulation is largely without merit. We are respectfully asking that the NCUA very carefully review this regulation and make substantial changes based on the many comment letters that are being submitted.

I would like to begin by expressing my biggest concern with the numerator in the capital ratio equation, which is the treatment of the National Credit Union Share Insurance Fund as essentially worthless by backing the amount out of our total capital. This type of treatment seems not only contrary to GAAP but also irrational due to the extreme circumstances which would be required for this fund to actually be considered worthless.

The proposed risk ratings in some instances seem unjustifiably punitive, especially when compared to the risk ratings applied to banks under Basel III. The NCUA has incorporated interest rate risk multipliers into the investment portfolio, with risk weights for investments increasing as a function of the weighted average life of investments. This approach could risk weight a credit union investment portfolio at up to five times that of a bank. The risk weight for an Equity Loan with a less than 80% loan to value is higher than that of a Consumer Loan, including Unsecured Consumer Loans, which clearly does not make any sense. The risk weighting system being proposed also uses increased weights based on concentration of the loan type which also seems unwarranted, for example, if we have one Equity Loan with an 80% maximum loan to value or we have 10 of the same type loans, our risk does not change for the entire portfolio as a percentage, but in the proposed regulation the risk weights would go from 100% up to 150% based on concentration going from 10% to 20% of assets.

Another concern we have is the authority given in the proposal which permits the NCUA to impose higher capital requirements on individual credit unions without parameters for this authority, regardless of which level of supervision at the NCUA administers it. This could result in an inconsistent application of this standard.

Lastly, we would respectfully request that the implementation period of 18 months be lengthened to allow credit unions which are suddenly only "Adequately Capitalized" based solely on this new regulation to reshape their Balance Sheet in an effort to maintain the "Well Capitalized" status they enjoyed prior to the new much stiffer regulation going into effect.

Once again I would like to thank you for the opportunity to provide comments on the RBC. GCU is confident that the NCUA will consider many of the suggested improvements contained in the comments letters received from credit unions across the country and we look forward to partnering with the NCUA to ensure that credit union's like GCU can remain viable, competitive institutions for our members for many years to come.

Thank you for your time and consideration.

Respectfully submitted,

Joseph D. Lajoie
Senior Vice President – Chief Financial Officer
Greenwood Credit Union

cc: Board of Directors – GCU
Credit Union Association of RI