From:	JoAn Sanders
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Wednesday, May 28, 2014 1:30:08 PM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Cheney Federal Credit Union, which serves persons in the Cheney and Medical Lake School Districts in Washington State. We have 4,821 Members and $86 million in assets. Cheney FCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

As the Credit Union's balance sheet currently stands, Cheney FCU would not fall under Prompt Corrective Acton, but the new rule would have a major affect on strategic planning in the future. To focus so intently on building capital rather than serving members seems to conflict with credit union philosophy.

While the Board and Management of Cheney FCU do agree that some form of Risk Based Capital measurement is necessary, we are not comfortable with the current structure of the rule.

One section that is very troubling to Cheney FCU is the additional authority to impose even higher capital requirements on individual credit unions that could exceed even well-capitalized level requirements. Enabling of Examiners to impose stricter guidelines on individual credit unions is inappropriate. When this provision was questioned at a meeting management attended, we were assured that is not the intent of the rule. If that is the case, the wording needs to be changed.

Another area of concern is the risk rating factors. A number of the risk weightings, especially for member business loan and mortgage concentrations as well as for CUSO investments, do not appear to be properly calibrated for credit unions. Using higher risk weights on long-term assets to deal with interest-rate risk is misleading without considering liability maturities. At a minimum, the following risk weight categories need to be revisited and revised:

- MBLs
- Mortgage Loans
- Longer-term investments
- Consumer loans
- CUSOs Investments and Loans

It is unclear why the NCSUIF deposit will be excluded from the calculation of RBC ratios. And the restriction of dividend payments seems excessive.

The timeline for implementation of the rule is also a concern. An eighteen month implementation period is not adequate. (Commercial banks had a much longer phase in period to comply with Basel III.) This rule would require many credit unions to re-think and re-write their strategic plans. Strategies already in place, that in some cases have been in place for decades, cannot be changed overnight. A minimum of a five year implementation period would be more appropriate.

In summary, the Risk Based Capital Rule, as written, would be detrimental to credit unions and to members. With over 300 legislators signing on to a letter of concern, it appears that credit unions are not the only ones that are questioning the reasoning behind this proposal as well as the content.

For Cheney FCU specifically, we will be forced to help fewer members with home purchases, we definitely will curb our plans of getting involved with member business lending, we will be hesitant to form or become part of another CUSO, we will have to raise fees to ensure adequate net income after cutting off several other revenue sources. This rule, although we would not fall under Prompt Corrective Action right now, would cause us to neglect our member's needs in the pursuit of building excessive capital. This conflicts with our mission and with the credit union philosophy.

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

Sincerely,

JoAn M. Sanders, CEO
520 1st St
Cheney, WA 99004