Metro
Credit Union

May 27, 2014

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

Re: Comment to Proposed PCA – RBC Rule

Dear Mr. Poliquin:

Thank you for the opportunity to comment on the proposed rule. First let me say that we agree with the general need for a Risk Based Capital measure, especially in an industry where excess risk-taking by some institutions can result in significant costs imposed on other institutions. We have read the proposed rule and calculated and compared our Risk Based Capital Ratio under different assumptions and asset mixes. In addition, we have reviewed the comment letters from many leaders in the community who raise numerous concerns.

There is little new feedback we could likely add in terms of identifying or describing specific problems or concerns with the proposed rule. Instead, we would pose two questions:

1. Will the proposed rule create an operating environment that borders on risk avoidance rather than risk management?
2. What impact will that have on credit union decision making, service, and operations?

While fully recognizing the difficulty in drafting a Risk Based Capital rule for credit unions, we believe there are three fundamental flaws as the proposed rule stands; inaccurate asset risk weightings, too high a RBC burden, and the ability for examiners to dictate capital requirements not codified in the rule. These flaws will cause credit unions to necessarily avoid risk rather than manage risk, and as a result, make credit unions less competitive while offering a lower level of service.

During my two decades in the industry, we have always been able to make decisions about products and services based on member demand, profitability, and sound ALM practices. The proposed rule will trump those criteria with a fourth variable; that being, how will the new product or service impact our theoretical RBC? Because of flaws in risk weighting assignments

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for various asset classes or amounts, there will be products or services that members want, are profitable, and make good ALM sense, that we will not offer in the future because of the adverse impact on our theoretical RBC ratio. At that point, we will be avoiding risk rather than managing it, or we will be less competitive as an industry than other financial service providers.

We humbly suggest the NCUA Board consider the numerous suggestions in the comment letters to adjust asset class risk weighting assignments. In addition, we recommend ensuring the final rule does not place credit unions in a position of having a higher RBC burden than other financial service providers. And finally, whatever the final rule is, we would recommend ensuring that RBC expectations are fixed and known, and that no authority be given for subjective risk weighting additions by examiners.

Thank you for your consideration.

Respectfully submitted,

Mike McDermott
President/CEO