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May 28, 2014

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

Dear Mr. Poliquin,

On behalf of El Paso Area Teachers Federal Credit Union, we appreciate the opportunity to comment on the proposed Risk Based Capital - PCA regulation currently under consideration by the NCUA. While we understand and agree with the idea of a Risk Based approach to Capital requirements, we have concerns we feel must be addressed in order to obtain a workable capital standard that will help credit unions remain competitive in the marketplace. In reviewing NCUA's proposed regulation, there are many areas within the proposed rule that will have an adverse effect on our industry. In addition, NCUA will be hurting the industry by implementing this regulation at a time when many credit unions are still paying for the Corporate Stabilization Act.

At approximately $500 million, El Paso Area Teachers Federal Credit Union serves over 50,000 members in El Paso, Texas. As our credit union continues to focus on growth strategies, we have concerns that the current proposed ruling will stifle these strategies. For example, investments in CUSO's would carry a 250% risk weight based on the value of the CUSO, which seems unfounded as it does not take into consideration the risk associated with the type of CUSO. NCUA's reasoning is that investments to CUSO's are unsecured equity investments; however, there is no methodology to assess the risk based on the type of service that the CUSO offers. Similarly, the proposed risk weightings for Mortgage Servicing Rights and Business Lending do not adequately assess the actual risk in those types of services, but rather arbitrarily weigh the risk based on a one-size fits all methodology. These risk weightings will certainly serve as a deterrent for many credit unions, including ours, who are either doing business or are considering doing business in these areas. The risk weightings do not adequately evaluate the risk within the aforementioned areas. For example, our business loan portfolio is mostly composed of small real estate type loans. The portfolio has performed well since its inception and has had zero losses. However, the proposed rule does not evaluate the performance of our MBL portfolio or determine the level of risk based on the types of MBL loans our credit union has made. Yet we may still be required to reserve up to 200% for our MBL's.

We are also concerned with the aggressive 18 month time frame to comply with many of the items in the proposed regulation, which includes the requirement to restructure our balance sheet. We ask that a more reasonable time frame be considered, similar to that given to Community Banks under the BASEL iii standards. When the FDIC implemented the BASEL iii standards for Community Banks, they were given 5 years to comply with the new standards. We ask that a similar time frame be given to credit unions under this rule.

A more pressing concern within the proposed regulation allows NCUA Examiners to levy additional capital requirements on individual credit unions. The proposed regulation is quite nebulous, leaving the door open for a very subjective approach for requiring additional capital. Conversely, there is no discussion on how and when Examiners would decrease a credit union's capital requirements. A more standardized and transparent approach is recommended within the regulation, one which does not allow our capital position to be altered based on an Examiner's assessment. We feel it is crucial for our credit union to know exactly what our capital requirements are, and to be able to specifically manage to those metrics.

Our recommendation for improving the proposed regulation would include:

- Implement similar standards compared to those under the FDIC's BASEL iii standards
- Provide risk weights for the various types of loans (i.e. Unsecured, Credit Card, Mortgage, Indirect)
- Include the NCUSIF and Goodwill in the calculation
- Reduce the overall risk weightings (i.e. Investment in CUSO's from 250% to 100%)
- Eliminate the ability for Examiners to require additional capital
- Extend the implementation period from 18 months to 5 years, similar to BASEL iii standards

As initially mentioned, we agree with the idea of a Risk Based approach to Capital requirements. However, we do have concerns with the current proposal and would like to see changes made that would more closely follow that of the FDIC's BASEL iii standards. Although El Paso Area Teachers Federal Credit Union would maintain a "Well Capitalized" position under the proposed regulation, we feel our future growth strategies would be adversely impacted based on the current proposed regulation. Certainly, this is a more wide spread concern that affects the entire industry. Many credit unions will struggle to maintain their capital position once the regulation is implemented. Others will seek alternatives to remain competitive and avoid having their capital position compromised. We are certain that NCUA is looking out for the best interest of the industry and will take our concerns seriously.

Overall, we seek changes in the proposed regulation that will promote growth in the industry and allow credit unions to strengthen their position and remain competitive in the financial services market. We strongly encourage you to consider the recommendations discussed in this letter. Taking the time now to ensure that the proposed regulation includes a sound Risk Based Capital system, will have long lasting effects on our industry for decades to come. We appreciate and thank you for the opportunity to comment on this proposed rule and for considering our views on Risk Based Capital requirements.

Sincerely,

Murray Voight
Vice President Compliance
El Paso Area Teachers Federal Credit Union