Catholic VANTAGE FINANCIAL

May 28, 2014

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

Re: RIN 3133-AD77

Dear Mr. Poliquin:

I would like to submit the following comments related to the proposed rule PCA – Risk Based Capital.

The proposed PCA RBC rule seems to be a knee-jerk reaction that is being implemented by the NCUA because the banking industry went into a tail spin during the Great Recession. But let's be sure to place the blame where it belongs, on the banks and not the credit unions. The deficiencies in their regulations and low capital ratios led to this crisis and the credit union industry suffered from it, but in no way was responsible for it. In fact, we paid a price already, from our capital, for the missteps of the banks. As a reaction to the crisis, we are now being told that we should hold more capital, yet we already exceed the capital level of banks and have not had the same risk within our balance sheets. Our industry survived the crisis quite well based on our current regulations and does not need additional capital requirements placed upon it. I don't think our credit union, nor the industry, is in need of this proposal. We've lasted a long time and have survived a lot of events without causing harm to the financial systems like the banks have. That being said, here are a few more comments about the proposal:

1. I am concerned that the proposed rule will negatively impact our credit union and inhibit our ability to grow with the additional restrictions placed on our balance sheet. In addition, the time frame of 18 months for implementation of this proposed rule is short considering a credit union's ability to change the make-up of its balance sheet. In the prolonged low interest rate environment we have been in, our ROA has been lagging behind "normal" levels prior to the recession. This slows our ability to grow capital to keep pace with our current growth in our balance sheet, not even taking into consideration what will be needed to comply with the proposed rule.
2. Our loan to share ratio is approximately 41% and that means our investment portfolio is a substantial asset category. When reviewing the calculation for the various risk weightings for investments, they are different when compared to the ones for loans. In addition, there doesn't seem to be any consideration for the underlying risk within the asset category. For example, we

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can hold over 35% of our assets (up to X%) in 1st mortgages and still have a lower risk weighting than my investments in a 5-10 year average life bucket. Our investments are low-risk CDs, government agencies and mortgage back securities from Fannie Mae (or Freddie Mac) with an average life of less than 10 years and those are considered 50% more risky than 30 year first mortgages with a 95% LTV. I think within the investment category there is a disconnect with the real level of risk versus an apparent one based solely on the term of the investment. And this extends between asset categories too.

3. I do not agree with the exclusion of the NCUSIF deposit from the RBC calculation. This is a reserve category and should be treated as such.
4. I think that the ability of an examiner to force additional capital requirements on a CU exceeds their authority. The Federal Credit Union Act is clear on what capital requirements are needed by the credit union and the NCUA should not exceed the authority given to it by Congress. If there is a safety and soundness issue with the credit union, then there are procedures to be followed in that regard.

Thank you for the opportunity to comment on the proposed rule on PCA – Risk Based Capital. It is my hope that you will take into consideration the thoughts presented here and make changes to the rule as proposed.

If you have any questions, please feel free to contact me at pbagazinski@mycvf.org.

Sincerely,

Peter M. Bagazinski, CEO
Catholic Vantage Financial FCU