Gerard Poliquin,

Secretary of the Board

National Credit union Administration

1775 Duke Street

Alexandria, VA 22314-3428

Dear Mr. Poliquin:

I am writing about my individual concerns with your NCUA proposed rule, 12 CFR Parts 700,701,702,703,713,723 and 747; **Prompt Corrective Action - Risk-Based Capital**. I work as CFO for Langley Federal Credit Union (LFCU), Newport News, Virginia, a Federal Credit Union chartered (number 1261) in 1936. Langley Federal Credit Union has over 192,000 Members, more than $1 Billion in loans, and $1.8 Billion in assets. I appreciate the opportunity to provide comments before the final rule is adopted.

First and foremost, I agree that credit unions should maintain adequate net worth and I am generally in favor of a credit union risk based regulation that is primarily built on heavily objective risk based logic. However, in regard to the proposed rule, as was put out for comment, I have several overriding worries listed below.

NCUA is rushing this regulation and leaving too little time to develop and communicate all the revised changes properly to all parties. Credit unions need much more time to adjust strategically and to accumulate more capital base before NCUA considers any changes to this rule. 18 months to implement this proposed rule is a very short timeframe for something as profound as this change. The industry would need at least 3 to 5 years at minimum, to make this transition.

NCUA needs to step back and rethink this entire issue to make it much better for all of our futures. Any risk based proposal should include the ability for credit unions to accumulate alternative capital. Alternative capital might be just the tool to help credit unions adapt rapidly to the new (not yet imaginable) risks we that we all will be asked to manage in our future.

NCUA is supposed to work together with credit unions to improve their risk factors, not put more unneeded regulation against us. Working better together might make the proposal much healthier. More quality preparation time is needed.

NCUA should only have power to add additional specific capital levels, to any one particular credit union, by a rarely used authority of a unanimous vote of the full NCUA Board. No nebulous set of arbitrary powers should ever be used by any lower levels of examiners, for any reason, to impose more capital than the regulation requires.

Having more stringent capital requirements placed on credit unions larger than $50 million in assets will cause an even larger divide in the industry than may exist today. Drawing lines in our industry only divides it. Divide and be conquered by the banks.

Most credit unions, in general, and Langley FCU specifically, already have enough Capital and operate with sound financial practices to protect our members' money. We therefore have the extra time to step back and get any risk-weighted regulation mostly right. We need to true it up before we are governed under some unintended misdirection. NCUA may be mistaken on many of their proposed arbitrary risk-weightings and major damage could be done to our industry as a result of these possible mistakes.

The proposed rule is tougher on most credit unions, on several fronts, than even Basel III (a regulatory standard for banks) is on most community banks. Community bank balance sheets suffered much more than credit unions during the recent recession, yet we are the movement that is paying dearly for that tarnished history with a much tougher NCUA BASEL like regulation proposal than will be given to the community banks. This is not fair, nor just! This regulation may well handcuff our well run credit union as we make future decisions at the expense of much future good growth. We are not guilty parties. We should not be treated as such. Member based credit unions virtually saved the credit union movement by bailing out, at that time, poorly regulated and undercapitalized corporate credit union organizations. Corporates, at that time, were taking on improper risks at a much faster pace than they could build sufficient capital to cover their potential (and actual) losses. This was at a time when member based credit unions were simultaneously most pressed with the need of our members….during the past great recession. Overall, we are the heroes, not potential villains. Give us back the respect by rethinking and improving this proposal.

The NCUA proposed risk weights should more closely resemble, or even be less stringent than, FDIC risk-weights if we have to be evaluated by them. Risk-weights should be more realistic and should try to match objective actual risks, not some subjective interpretation of these risks by contemporary examiners. Many of the risk-weightings, as proposed, are completely subjective, not specific enough and therefore very problematic. The weights applied toward all specific risks should always depend on the type and nature of the beast, not just the beast. Risk-weights always should be more aligned and more specific to the actual risk taken. Too many risk weightings contained in this proposal make very little common sense and appear unfortunately almost like strategic directives from the agency to make us avoid serving members in risky areas. What ever happened to managed risk? Managed risk is too complex to be reduced into arbitrary risk-weightings. The depth and breadth of all these issues absolutely demonstrate that someone needs to rework every aspect of the risk weighting section and fit it all better to specific risks.

Please note the following examples risk weighting problems in the proposal:

Corporate Paid in Capital

- Corporate paid-in capital is also risk-weighted too high at 200 percent.
- Paid-in capital would be more appropriately weighted at 100 percent to recognize that the corporate credit union structure is now a less risky asset than during the crisis.
- A weight that reflects the actual risk for paid-in capital to corporate credit unions would benefit natural person credit unions, corporate credit unions, and the share insurance fund.

CUSOs Investments and Loans

- The 250 percent risk-weight for investments in CUSOs is arbitrary, lacking in sufficient rationale, and doesn't reflect the actual risk of investing in specific types of CUSOs. Some CUSO's are much riskier than others.
- CUSO investments should usually be weighted at 100 percent, or less, and they should be industry rated by offering a certain product or service.
- Any exceptions to potential credit union risk should be managed through the examination and supervision process and not by a system-wide capital regime.

Goodwill

- Goodwill should never be excluded from the proposed rule or the final calculation. Removing Goodwill will negatively affect credit unions that have had recent mergers by failing to allow them to fully realize the previously accounted for benefit.
- Removing Goodwill will present a disincentive for healthy credit unions to become merger partners for troubled or failing credit unions because of the possible significant negative effect to their risk-based net-worth ratios.
- Goodwill should be added back into the numerator for the risk-based capital ratio.

Investments

- There are number of issues with the proposed rule's treatment of investments when it comes to risk-weighting:

    1. The proposed rule doesn't factor in credit union's interest rate exposure offsets such as variable-rate assets or derivatives.

    2. How can a long term treasury have the same risk weight as a treasury bill, as the current proposal suggests?

    3. In any final rule, NCUA needs to include a way to factor in the interest rate risk mitigation being done by credit unions.

    4. Credit unions already monitor and control for interest rate risk through their own policies and in accordance with NCUA examination and supervision. It is not necessary for a risk-based capital regime to perform this function in a less desirable fashion. If the NCUA does keep interest rate risk built into investment risk-weights, that system should never penalize short or medium term investments.

    5. The proposed rule would unfairly penalize balanced credit unions and shows a total bias towards lending and against investments.

    6. The current risk-weights don't accurately reflect the interest rate risk for short-term and middle-term investments such as those under a 5-year maturity.

Member Business Loans (MBLs)

- NCUA's proposed rule risk-weights for MBLs are punitive for credit unions chartered for the purposes of MBLs.

- NCUA should give credit unions chartered historically for business loan purposes a different set of risk-weights that doesn't require them to abandon their core mission for their membership. In addition, their MBL portfolio should be given a risk-weight of 100 percent and managed through examination and supervision.

- Risk-weights should also be broken down for types of loans such as agricultural MBLs or commercial real estate MBLs.

Mortgage Loans and Consumer Loans

- Consumer loans (especially a diverse portfolio balance of auto loans) carries a similar risk rating in the proposed as do 1st mortgage loans for the first 25% of assets. Why do they have the same ratings? Why did we omit risk-weighting the automobile loan portfolios in the proposal ? "A" paper carries an entirely different set of risk factors than say a "D or E or F" paper.

- During the past three decades NCUA has always made us generally uncomfortable about the interest rate risk inherent in all mortgage loans. Examiners supported the well managed auto loan portfolio as being better diversified, shorter in duration, and also backed by decent collateral when compared with mortgage loans. Examiners always wanted to see that the credit unions held less mortgage loans than a magical 25% of assets. This was an arbitrary number that has lived for years. Where is the algorithm that ever justified that number?

- Where are the algorithms for any of these new loan risk-weights in this proposal? The proposed risk-weights for non-delinquent first mortgage real estate loans continue to be way too arbitrary. Generic risk-weights may penalize too many credit unions for more conservative concentrations of adjustable rate loans, home equity loans or shorter duration fixed term mortgage loans. All these loan types have never been considered inherently as risky as 30 year fixed-rate loans, yet in the proposal, they seem to be risk-weighted exactly the same no matter how they have been structured.

In summary, for the vast number of reasons stated above (and for all the other reasons that have been specifically cited by many other credit unions and industry professionals), I deeply feel that this regulation should be shelved, restudied, reworked and rethought. I respectfully ask that the NCUA Board listen to CUNA, NAFCU, vendors, several members of Congress **and to its credit unions**. Many strong, knowledgeable, voices already have said that this proposal should be at least reworked significantly**. So, therefore, in the spirit of a better credit union industry tomorrow, I do hope that NCUA finds a way to improve this Prompt Corrective Action - Risk-Based Capital proposal by slowing down the transition and, at the end of the day, repurpose a much better regulation using some great industry input, for a much better credit union regulatory future.**

Once again, I thank you for the opportunity to comment. I do hope that you will consider my constructive views and restart the entire process anew today.

Sincerely

Gregory D Manweiler SVP/CFO

Langley Federal Credit Union