From:	John Cattani
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Wednesday, May 28, 2014 3:40:51 PM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Unity Catholic Federal Credit Union, which serves Catholic members and their families in Cleveland Catholic Diocese and the Eparchy of Parma. We have 11,700 Members and $71,000,000 in assets. Unity Catholic FCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

The impact of the subject proposal was tested if UCFCU increased our concentration limits for long term 1st Mortgages, provided for the maximum concentration risk for Member Business Loans and the purchase of longer term investments such as Federal Agencies and Certificates of Deposit. The results show that the immediate impact on UCFCU would decrease our risk based capital from well-capitalized to just barely above adequately capitalized.

While there is a consensus of opinion of the need for Risk Based Capital Requirements as provided by the Federal Credit Union Act, the problem is that NCUA is attempting to provide itself authority to impose additional risk based capital on an individual case by case basis. This type of over-reach in authority is not expressly provided by the Federal Credit Union Act as written.

We do not agree with many of the Risk Weights provided by NCUA because they are somewhat illogical and appear to be arbitrarily assigned. An example of such defiance of logic exists with a Treasury Security with an average life greater than five (5) years has a risk weight of 0%, while an agency mortgaged back security with the same average life is risk weighted 150%. Given the fact that both such securities have the full faith and credit of the United States Government, especially after the financial crisis of 2008, such a difference is, at best, totally unrealistic, if not strange.

The new proposal restricts growth in a majority of credit unions in products and services that will spur growth such as Member Business Lending, longer term fixed-rate mortgages, or long term investments. Moreover, the proposal negatively impacts UCFCU's ability to be competitive in the credit union marketplace for providing sound and safe member services. In addition, the proposal would allow our traditional ALM/ALCO policies and strategies to be replaced with the newly proposed regulatory balance sheet requirements that would impede the marketing of all of our products and services.

In summary, the proposal as written is arbitrary and ill-timed with a dose of inaccurate and inconsistent weights in order to be deemed truly effective in regulating the credit union movement. The fact that there more than twice as many bank failures than credit union failures during the 6 year period from 2007 through 2013 makes the proposal flawed and ill-conceived and as previously stated an "over-reach." In short, the proposal needs a lot of work to be viable.

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

Sincerely,

John A. Cattani, Controller
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