Northland
Area Federal Credit Union

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May 28, 2014

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

RE: Prompt Corrective Action Risk-Based Capital

Dear Mr. Poliquin,

I am writing on behalf of Northland Area Federal Credit Union (NAFCU), which serves under-privileged areas in Northeastern Michigan. We are a low-income designated credit union with over 38,000 members and $280 million in assets. The Northeast Michigan region was one of the country's most severely impacted by the recession with unemployment hitting close to 23% in some of our counties. It is also a region slowest to recover as evidenced by an average unemployment rate of over 13% in our ten county service area.

As a community-focused financial institution, NAFCU's mission is "to be our members' most trusted financial partner." In carrying out that mission, we responsibly provided $50.8 million of loans to our members during 2013. Through April, we have lent $18.2 million in 2014. Over the past 4 years, we have helped 46 families/members stay in their homes by modifying loan terms and avoiding foreclosure. Additionally, we have helped over 500 members work through temporary financial problems by providing short-term loan modifications. This proposal would require us to hold more capital for every loan we make. It would significantly reduce our ability to lend to members and provide other important services in our communities. It limits our ability to help Americans in our area access credit which would further prolong economic and housing recovery in our region.

While we agree with concept of risk-based capital requirements, this proposal is much more restrictive to credit unions than Basel III is for our banking counterparts. Although the concept of developing a system of Prompt Corrective Action similar to Basel III PCA is understandable, this proposal fails to take into consideration the unique nature of credit unions. The proposed risk weights are not properly set to reflect the historically lower risks at credit unions compared to small banks.

This proposal contradicts NCUA Regulations and penalizes credit unions by requiring higher capital allocations on investment portfolios, which discourages sound interest rate risk and liquidity risk management. The proposal also contradicts the Federal Credit Union Act in several ways as described in many of the responses preceding this letter. Under no circumstances should examiners have the power to impose arbitrarily higher capital standards on individual credit unions.

While banks have up to almost a decade to fully implement Basel III, this proposal unfairly only gives credit unions 18 months to comply with new requirements. This simply is not enough time. A phase-in period of at least 5 years is more reasonable.

In summary, we agree with the concept of refining the capital requirements but strongly disagree with many of the proposed provisions as they do not appropriately reflect the risk profile of credit unions, including, but not limited to:

- Inappropriate risk weightings
- Excluding NCSIF deposit and goodwill from the calculation
- Restricting dividend payments

As written, this proposal will ultimately reduce financial services and affordable loans to members in our communities. We believe the proposal should be significantly amended and reissued for comment or withdrawn. Thank you for the opportunity to comment on this proposed rule and for your consideration.

Sincerely,

Kristine Brenner

Kristine Brenner
Vice President of Finance/CFO
Northland Area Federal Credit Union