May 28, 2014

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
Filed via: recomments@ncua.gov

Re: RIN 3133-AD77, NCUA Proposed Rule:
Prompt Corrective Action–Risk-Based Capital

Dear Mr. Poliquin:

As industry groups representing the housing industry and homeowners, we write you today regarding the National Credit Union Administration (NCUA) Board's proposed rule on risk-based capital standards for credit unions. As the housing market continues to recover from the financial crisis, it is critically important that new regulations not hamper credit unions' ability to serve their members. We are concerned that the proposed rule would reduce mortgage credit availability because it would require credit unions to reserve additional capital for mortgage loans as the concentration of such loans in their portfolios increases.

Credit unions play an important role in providing access to mortgage credit to their members. More than 96% of credit union members belong to a credit union that offers mortgage lending services, and credit unions now comprise more than 6% of the mortgage lending market. The mortgages credit unions have made to their members have historically performed very strongly. Further, during the financial crisis credit unions continued to lend and worked with their members to help keep them their in homes.

We are concerned that the proposed rule would unnecessarily hold back mortgage credit to credit union members because the proposal would impose concentration-based risk weights on mortgages which are substantially higher than those imposed on small banks. We understand the importance of supervising credit unions' concentration risk, and we strongly support a safe and sound credit union system; however, we encourage NCUA to follow the lead of other financial services regulators by managing concentration risk at individual credit unions though the examination process, instead of through an across the board rulemaking.

Further, we are concerned that the mutual association structure of credit unions coupled with the short (18 month) proposed transition period will amplify the impact on credit availability of the proposed rule. For all but low-income designated credit unions, the only source of capital for credit unions is retained earnings. For this reason, especially during the rule's short implementation period credit union boards and management will feel pressure not to lend in order to build capital, including a comfortable buffer. Coupled with the high risk ratings for mortgage loans and mortgage servicing rights, there would be a great incentive not to lend to homebuyers. America's housing recovery may suffer as a result of this rule, with credit union members having reduced access to credit.

We encourage the NCUA not to jeopardize the housing market's fragile recovery by handcuffing otherwise healthy credit unions that have significant experience in mortgage lending.

Sincerely,

American Land Title Association
Mortgage Bankers Association
National Association of Home Builders
National Association of REALTORS®