NOTRE DAME
FEDERAL CREDIT UNION

May 28, 2014

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

Re: Comments on Proposed Rule: PCA – Risk-Based Capital

Mr. Poliquin,

Chairman Matz said, "A modernized risk-based capital system is vital to mitigating future share insurance fund losses from undercapitalized credit unions which fail." Indeed, over one hundred credit unions failed during the financial crisis. The need to review and refine current capital requirements for credit unions is a reasonable move to ensure safety and soundness within the credit union cooperative. However, Notre Dame FCU believes the Proposed Rule, as written, far overcorrects the actual risks posed by the credit union industry.

The proposed risk-based capital ratio of 10.5% sets a threshold expectation for the determination and identification of being a "well-capitalized" credit union. However, a "one size fits all" risk-based capital requirement will deliver negative consequences to our membership, and membership at every credit union. In the long term, increased capital requirements will reduce Notre Dame FCU's ability to execute strategic growth through our existing and prospective membership growth plans. In essence, we, along with all credit unions, will lose our distinct competitive advantages over our for-profit local bank competitors. Increased capital requirements, based on the risk of our portfolio, will reduce our ability to provide member satisfaction by way of low interest rates and needed services to meet the expectations of our membership. Stealing from Peter to pay Paul will deliver unintended consequences throughout the cooperative.

Further, the Prompt Corrective Action powers afforded to the NCUA under this Proposed Rule remains ambiguous and of great concern to Notre Dame FCU. It appears if benchmark thresholds are met, credit unions may still find themselves in PCA. Through this proposal process, I suspect the NCUA sees these new rules and regulations as sensible and commensurate with risks the credit union cooperative posses to the share insurance fund. No question each credit union has a responsibility to mitigate risks on the balance sheet, just as we mitigate legal, reputational and other regulatory risks we face on a daily basis. That said, it concerns me greatly the autonomy I may potentially lose to effectively run my business if Notre Dame FCU meets the requirements of the Proposed Rule, yet we find ourselves in PCA for reasons outside of our

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control. This "blank check" approach to PCA specific to the Proposed Rule must be addressed, corrected and put into practice consistently throughout the cooperative.

Lastly, reducing strategic risk within the portfolio and/or holding more capital will take time to implement and sustain. The eighteen (18) month window to adjust our business to align with the Proposed Rule's expectations is too narrow. I recommend a minimum of thirty-six (36) months before making the Proposed Rule final. This will afford Notre Dame FCU and the entire credit union industry the appropriate time to shift strategic planning commensurate with the new risk-based formula.

I appreciate the opportunity to comment on the Proposed Rule.

Respectfully,

Thomas J. Gryp, President/CEO
Notre Dame FCU

P.O. Box 7878 · Notre Dame, IN 46556-7878 · 800/522-6611 · ndfcu.org · ndfcu@ndfcu.org