May 28, 2014

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

Via e-mail: regcomments@ncua.gov

RE: Comments on Proposed Rule: Prompt Corrective Action – Risk-Based Capital.

Dear Mr. Poliquin:

The Partnership Federal Credit Union serves the employees and their many family members of the prestigious Federal Deposit Insurance Corporation, the Federal National Mortgage Association (*i.e.*, Fannie Mae), the National Science Foundation and the U.S. Secret Service, Headquarters Office. We currently have 12,000 Members and $148,210,920 in assets. We are generally supportive of any regulatory effort to bolster capital standards in a post-financial crisis environment, and appreciate the opportunity to submit comments on the NCUA's proposed rule Prompt Corrective Action – Risk-Based Capital (RBC).

However, the Partnership Federal Credit Union has significant concerns with the consequences – both intended and unforeseen – of the proposed rule as currently configured, and would respectfully request that the NCUA consider withdrawing its proposal in favor of opening a new dialogue with the credit union community. At the very least, we urge the NCUA to pursue the appropriate amendments to this rule in order to ensure that a viable, well-balanced risk-based capital system is implemented. We are concerned that the proposed rule would ultimately impair access to credit for consumers that we serve, and, over the long term would directly and negatively impact the manner in which we grow.

While committed to organic growth within our own existing membership, in 2009 we created a new business model that allows for mergers with integrity between similarly situated single sponsor small credit unions. To date, we have acquired two credit unions and doubled our asset size. As you know, this type of growth at our moderate size must be completed slowly and with caution to preserve net worth. It is already challenging to optimize economies of scale with this growth model and the proposed rule would have implications which may restrain our ability to partner with other credit unions toward this end. Our vision is to "build value through partnership", which means partners with other credit unions and with our membership. We exist to serve the needs of our members that the large banks simply do not want to serve.

The Partnership Federal Credit Union feels strongly that this proposed rule is without merit. Furthermore, if the proposed rule is adopted, it will place an undue burden upon credit unions to comply. In fact, most affected credit unions would need to increase the amount of capital held in order to be "well capitalized," and would likely face burdensome risk weightings that would serve as a disincentive to continue or enter into member business and mortgage lending programs, and long-term investments, inevitably pushing members to our competitors.

Proposed risk-weights
A number of the risk weights, especially for member business loan and mortgage concentrations as well as for CUSO investments, do not appear to be properly calibrated for credit unions. They are even higher than what is being imposed on banks by the BASEL III changes. Using higher risk weights on long-term assets to deal with interest-rate risk is misleading without considering liability maturities and other mitigating factors.

Examiner discretion to change risk ratings
NCUA would assume additional authority to impose higher capital requirements on individual credit unions. Unlike under the existing statutory net worth rules known as Prompt Corrective Action (PCA) regulations, credit unions would no longer have clear rules to avoid prompt corrective action if the agency establishes its authority to use “judgment” on a credit union to make changes to risk ratings. This opens the door to inconsistent and arbitrary application. It would also diminish the boards and management to make financial judgments and oversee policy. Our recommendation is to remove section 702.105(c) from the rule entirely.

Implementation Date
We also recommend that the proposed implementation date of eighteen months after becoming final be extended. This proposed time-frame does not give credit unions sufficient lead time to plan for and implement the new risk based capital ratio requirements. This is important as many credit unions may alter their balance sheet composition in response to the rule.

Thank you again for the opportunity to comment on the proposed rule. If you should have any questions, please contact me at TMann@ThePartnershipFCU.com or at 703-562-6010.

Sincerely,

Theresa B Mann

Theresa B. Mann
CEO

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