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May 13, 2014
Mr. Gerald Poliquin, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Mr. Poliquin:

As the CEO of the St. Pius X Federal Credit Union, and a member of the Board of Directors of the Credit Union Association of New York, I would like to comment on NCUA's proposed risk-based capital plan. NCUA has not demonstrated the need for additional risk-based capital regulation at this time particularly given the regulatory burden it would impose on the industry.

As someone who has dedicated her career to both St. Pius and the credit union movement I know firsthand that the last five years have been among the most challenging in which to manage a credit union. Nevertheless, my credit union remains well-capitalized, and is currently lending out more than 70% of its shares. Other credit unions also performed well. In fact, the industry as a whole did a much better job of meeting its capital requirements than did the banking industry. Given the continued strength of credit unions, NCUA has not justified why it needs to place additional capital requirements on credit unions. The fact that a handful of credit unions were mismanaged doesn't mean that all credit unions should suffer.

Furthermore this proposal impacts many credit unions beyond those that have their capital position downgraded. In minimizing the reach of this proposal NCUA points to credit unions, like mine, that would have a well-capitalized risk based capital ratio of 12.58%. However, NCUA is not considering the fact that well-capitalized credit unions, such as St. Pius will still have to have the expense of training staff and acquiring software to comply with a new risk-based capital framework. In addition, many credit unions will lose capital buffers that they maintain to give themselves flexibility to react to unexpected changes in the coming years or provide new products and services to our members

This proposal also penalizes credit unions for investing in their industry without providing an adequate explanation of the risks NCUA feels need to be guarded against. For example, in the preamble to the proposal NCUA has not explained its justification for concluding that perpetual capital investments in the corporate system should be considered one of the most dangerous types of investments a credit union can make. As someone who thoroughly analyzed the costs, benefits and risks of recapitalizing the corporate system before proposing that our board purchase perpetual capital, NCUA is wrong to effectively downgrade the value of that investment by imposing additional requirements on perpetual capital that did not exist when NCUA proposed reform of the corporate system.

NCUA has indicated that it will make changes to this proposal based on the feedback it receives from the industry. It is my hope that the NCUA will reconsider the need for any RBC reforms at this time. If the NCUA does go forward with this proposal, it should ensure that the final rule doesn't force well-capitalized credit unions to cut back on services or penalize credit unions like St Pius that seek out credit union-based providers whenever possible.

Sincerely,

Ann Hynes