

May 28, 2014

The Honorable Debbie Matz, Chairman
The Honorable Michael Fryzel, Board Member
The Honorable Richard Metzger, Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314



RE: Risk-Based Capital Rule - OPPOSED

Dear Chairman Matz and Board Members Fryzel and Metzger,

On behalf of *FAIRWINDS* Credit Union, I would like to add my voice to the growing dissent in our industry that opposes the NCUA's propose rule entitled Prompt Corrective Action – Risk-Based Capital.

Overall, I question whether the risk-weighting proposed actually matches the real risk in the system. For example, the proposed rule would risk-weight our Federal Agency-backed securities as **more risky** than many of our loans, including fixed-rate mortgages. This strikes me as unusual given the recent credit risk crisis that resulted from the collapse of the housing market and triggered the Great Recession. Agency back securities do not contain credit risk, and therefore should be weighted with less risk than long-term mortgages and other loans.

It seems to me that the NCUA is attempting to use capital rules as a substitute for sophisticated examination techniques. The proposal also seems flawed in accurately measuring risk in the following areas:

- Unlike banks, the NCUA's rule increases the risk-weighting after a credit union reaches 15% and 25% of assets in business loans. This unfairly penalizes credit unions that provide loans to local business.
- All real estate loans carry a hefty risk-weight, which increases at a 25% concentration. This will have the unintended consequence of limiting our ability to help our members with trouble real estate.
- The proposal only would apply to credit unions over \$50 million in assets. What about the safety and soundness of smaller credit unions?
- Our credit union's 1% deposit into the NCUSIF is eliminated entirely from the equation.
- Public disclosure of the NCUA-developed calculator unnecessarily exposes our credit union to reputation risk should an uninformed consumer misinterpret the results.

I appreciate your listening to my concerns.

Sincerely,



Dan Bock
Senior Vice President - Finance
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