From:	John Jameson
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Wednesday, May 28, 2014 11:10:10 AM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Piedmont Advantage Credit Union, which serves anyone who lives, works, worships, or attends school in the counties of Bladen, Brunswick, Columbus, Duplin, Forsyth, Guilford, Iredell, Mecklenburg, New Hanover, Pender or Rockingham, North Carolina.. We have 44,600 Members and $276,500,000 in assets. Piedmont Advantage Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.
The proposed rule will hurt the Credit Union's ability to provide loans and services to its members. Our Credit Union is well capitalized and has used its excess capital to modernize its products and services, distribution channels, and infrastructure in order to provide the best member value possible in a highly competitive market. The impact of the proposed rule will be to reduce the amount of capital the Credit Union can use by $1,995,064 as of 12/31/13. This is the amount of cushion, which is the excess of the required risk-based net worth for well capitalized credit unions, that Piedmont Advantage Credit Union will lose due to reducing its net worth as adjusted under the proposed regulation and the increased amount of capital to remain a well-capitalized credit union. Please see the chart below:

Table 1 As of December 31, 2013

Description	Current	RBC Proposal	Difference
Net Worth	30,212,745	29,906,408	-306,337
$ Needed for Well Capitalized	16,418,748	18,107,474	1,688,727
Cushion	13,793,997	11,798,934	-1,995,064

We don't believe the proposed regulation is necessary because the problem that engulfed the credit union movement in the recent great recession was due to corporate credit union's investing in unsound mortgage-backed securities. The natural person credit union's avoided the financial meltdown through sound lending practices. The loan losses from these credit unions remained well within the capacity of the share insurance fund to protect members.

The risk-weight limits imposed by the proposed regulation are punitive and unnecessarily high.

- Mortgage Loans will go to as high as 100% from 14%.
- Longer-term investments will go to as high as 75% and 100%from 12%.

The above increased risk-weights plus the exclusion of the National Credit Union Share Insurance Fund and Goodwill from capital have a punishing effect on Piedmont Advantage Credit Union and unnecessarily so. Piedmont Advantage Credit Union has withstood the worst economic recession through safe and sound management. The systemic risk that was created by the corporate credit union rules and poor regulatory oversight had nothing to do with the practices followed by natural person credit unions.

We believe that the most effective way the NCUA can protect the share insurance fund is not through over-burdensome regulations that restrict the ability of credit unions to adapt to ever increasing fast-paced changes in the financial industry and provide greater member value. Rather, the NCUA should improve its ability to better oversee the safe and sound practices of credit unions, which as a movement, has an excellent history of such.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

John Jameson, CFO
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