From:	Michael Hinchey
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Wednesday, May 28, 2014 11:20:09 AM

Dear Secretary of the Board Poliquin,

I am writing you on behalf of the Directors and 10,000 members of Wepawaug-Flagg FCU. A Multi-SEG Connecticut based credit union serving Board of Education and Municipal employees in several cities and towns.

I appreciate the opportunity to speak on behalf of our membership who strongly believe the proposed changes in risk based capital are a significant step in the WRONG direction and for the most part unnecessary. The NCUA and credit unions would both be better served if no changes were made IF the only alternative is the adoption of this proposed rule.

In the past six years, which have been difficult for all credit unions, we have been able to maintain our lending to our members and expand our services. During these years, with the exception of the year we absorbed the loss from the investment in our corporate credit union, we have been profitable and grown. We have demonstrated our ability to manage the risks in this troubled economy.

The proposed rule would significantly impact our ability to grow and to continue to serve our membership because it would reduce our margin for well capitalized by $1.8 million and over 2% of our assets. Our credit union has established the policies and controls necessary to protect our members. There is no doubt that we have morel longer term assets on our balance sheet than we had in prior years, but we actively manage our growth and our Asset/Liability position to assure the membership has a safe and secure place to conduct their financial transactions.
We believe the Asset risk ratings as proposed are disproportionally high and do not reflect the actual interest rate risk to the credit union when all factors are considered.

The proposal to allow the NCUA to impose higher capital requirements on a case by case basis is troubling and it is highly likely it will lead to inconsistent treatment of credit unions. Increased adversarial relationships between the NCUA and credit unions will be inevitable when personal judgment and opinion are introduced into the process. Consistent and clear standards for all are much more appropriate.

The NCUA proposal for implementation allows only 18 months. This is not a reasonable time frame and depending on the extent of the changes NCUA includes in the final rules we urge the agency to provide at least two years or more for compliance.

In summary, we believe the rules as proposed do not reflect necessary and appropriate changes to the Prompt Corrective Action- Risk Based Capital Rules. The inclusion of a provision for increases to an individual credit union's capital requirement is not in the best interest of the NCUA or the credit unions. The proposed rule will impede our credit union, which has performed admirably for over 75 years, will unnecessarily limit our ability to serve our membership and implementation in the short time frame proposed will only compound the harm.

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

Sincerely,

Michael J. Hinchey, President/CEO
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