From:	Daniel Baines
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Wednesday, May 28, 2014 4:10:50 PM

Dear Secretary of the Board Poliquin,

I am writing on behalf of My Personal Credit Union, which serves the communities of Kent, Ottawa, Muskegon and Allegan counties in Michigan. We have 12,500 Members and $113 million in assets. My Personal 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 biggest area of impact for our credit union at this time is the risk weights for investments. Specifically those with a maturity of greater than 5 years. The proposed risk weight of 150% compared to the 75% for assets maturing between 3 and 5 years leads us to be required to hold 100% more capital for each dollar added. The rationale given for these risk weights is the perceived interest rate risk involved with the longer maturity investments. However, this appears to be counterintuitive to the treatment of 30 year first mortgages (less than 25% of total assets) which have a risk weight of 50% despite having greater interest rate risk. It should also be noted the formula does not take into account additional characteristics of investments held such as step-ups and call dates. Additionally, outside of U.S. Government securities, no impact appears to be given to the credit quality of the investments purchased.

Other areas that are of concern are that we need to retain 26% of our investment in our CUSO and commercial loans which are 100% versus consumers loans that are 75% equates to an additional $250,000 in capital. These figures are calculated at the minimum of 10.5% to be well capitalized. If we were to maintain our current 2% over well-capitalized the figure would increase to $285,000 (an additional 30 basis points of capital).

Part of the implementation of the program will cause credit unions to make lending or investment decisions simply by how they will impact their risk-based net worth instead of the risk/reward trade off of each asset class or what is best for the membership. Additionally, there should be an implementation period of at least 2 years or greater.
NCUA does not allow the share insurance deposit to be included as capital and this undermines the idea that the credit union owns the deposit.

Goodwill should not be excluded from the calculation of the RBC numerator. Any regulation that negatively effects a credit union's decision to persue a merger which is in the best interest of the membership should be avoided.

Overall we feel that this proposed regulation negatively impacts our credit union and the entire credit union industry.

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

Sincerely,

Daniel L. Baines, President
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