May 28, 2014

National Credit Union Administration
Gerald Poliquin, Secretary of the Board
1775 Duke Street
Alexandria, VA 22314-3428

RE: Comments on Proposed Rule: PCA - Risk-Based Capital; RIN 3133-AD77

Dear Gerald Poliquin,

May 28, 2014

National Credit Union Administration
Gerald Poliquin, Secretary of the Board
1775 Duke Street
Alexandria, VA 22314-3428

Re: Comments on Proposed Rule: PCA - Risk-Based Capital; RIN 3133-AD77

Dear Gerald Poliquin,

I am writing on behalf of KeyPoint Credit Union, which serves 46,000 members through nine branches in California ($865 million in assets). As the Chief Operating Officer of KeyPoint Credit Union, I appreciate the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action – Risk-Based Capital.

At Keypoint Credit Union, we see value in the concept of risk-based capital. It is logical that credit unions with less inherent risk be required to maintain less in capital, and conversely, those with higher risk have higher capital levels; however, the proposed rule and formulas don't meet the promise of better managing risk. The unintended consequences of this rule would be to impair our industry's earnings, stunt our growth and create disparate impact to certain members. Many of the elements in the proposed rule would limit the credit union industry's options to choose assets that enable us to remain competitive and continue serving our members' needs.

The proposed rule would prevent credit unions from serving our members with the loan products they want, making us less competitive with banks, and consequently reducing our earnings. The proposed rule does not take into consideration a credit union's charter, its core competencies, its geography, or its ability to serve distinct populations.

- The rule if enacted as proposed would provide a disincentive towards residential real estate lending, which is unquestioningly our members' largest and most important financial need. The standard assumes all residential real estate over 35% of total assets would be an adverse risk to the credit union industry and that assumes all real estate concentrations are equal. Credit Unions should be able to manage their concentration based on their field of membership and geographic considerations not be dictated by standard to establish arbitrary concentration levels.

- The rule would incent credit unions to have a high percentage of our investments in U.S. Treasuries. The effect would be to limit both prudent duration management and credit union earnings by not incentivizing credit unions to use the full range of agency and other unconditional guaranteed securities when making investment decisions. We request that the NCUA Board modify the proposed rule to ensure that it is on par with the risk-based capital requirements of the FDIC and the OCC, and does not put credit unions at a disadvantage.

- Perhaps most seriously, the competitive disadvantage that credit unions would experience under this new rule would adversely affect the loan and deposit rates for 94 million members in the U.S.

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

Sincerely,

Sam Tuohey
COO
KeyPoint CU

cc: CCUL