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May 27, 2014

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

Via e-mail: regcomments@ncua.gov

RE: Comments on Proposed Rule: PCA Risk-Based Capital

Dear Mr. Poliquin:

The PAHO/WHO Federal Credit Union (PWFCU) appreciates the opportunity to submit our comments on the NCUA Board's proposed rule on Prompt Corrective Action-Risk-Based Capital. We are a well capitalized $200 million federally chartered credit union headquartered in Washington, D.C. and serving nearly 5,000 members.

In our initial assessment of the rule it does not seem that PWFCU would be negatively impacted in the short-term. However, our overriding concern is that the proposed rule ignores the fact that each credit union has its own unique risk factors that are diligently managed through targeted strategic and risk mitigating strategies. We agree with observations made by so many in our industry that the rule as written will not provide credit union leaders with meaningful warning signs. In fact, it could very possibly result in unexpected swings in capitalization levels as well as to strategically limit the steps that credit union leaders have at their disposal to properly manage risk. It seems that the NCUA Board has decided that it can best manage the risk inherent in our industry by simply implementing a "one-size" fits all strategy. We believe that such a strategy is flawed and may potentially have a far more damaging result than the risk factors that the NCUA Board is attempting to control.

While we agree with the concept of a risk-based capital structure for credit unions, we have significant concerns with the some aspects of the proposed rule:

- PWFCU is concerned that the proposed risk weightings seem to have been arbitrarily set. We disagree that our cash balances held at the Federal Reserve should be assigned a risk weighting of 20%. PWFCU believes that our cash balances at the Federal Reserve should more accurately reflect a 0% risk weighting; similarly, we cannot understand the rationale of assigning a 0% risk weighting to investments in Treasuries but a 1,250% risk weighting to Mortgage-Backed Securities (including CMOs) whose structure may actually present less risk to a credit union's balance sheet. A 1,250% risk-weight is equivalent to a credit union holding capital to 100% of the investment's balance sheet value.

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- PWFCU believes that the proposed rule ignores liabilities entirely, which are a significant part of our risk mitigating practices. The rule ignores other risk management practices that credit unions utilize today to properly measure and control risk. It seems that we are being negatively penalized for taking prudent steps to effectively handle interest rate and liquidity risk.
- PWFCU has significant concerns that the proposed rule grants too much authority to our NCUA examiner to arbitrarily decide that we need to maintain a higher minimum risk-based capital. This scenario could have serious implications in the future and could result in a higher number of credit unions facing PCA restrictions. PWFCU recommends the elimination of individual minimum capital ratios from the final version of the rule. Doing otherwise, would effectively handcuff credit union leaders and most importantly, their member-owners, when making the individual risk management decisions that are best for their credit union.
- The implementation timeline for the proposed rule does not allow sufficient lead time for credit unions to effectively plan and implement strategies to address the new risk-based capital requirements.

In summary, PWFCU believes that while some risk-based structure might be prudent, the rule as proposed does not adequately consider the unique balance sheet structure of each credit union and the significant risk management practices that we have adopted. In addition, we believe that the long-term implications of this rule are that credit unions may very well be at a competitive disadvantage compared to banks due to the higher level of capital, which will be required and our inability to raise supplemental capital. Finally, we must remember that credit unions fared extremely well doing the most recent economic crisis under the current capital rules, which leads one to question why such significant changes are necessary.

Thank you for the opportunity to provide our comments and for your consideration of our thoughts as the NCUA Board considers its final rule on PCA Risk-Based Capital.

Sincerely,

Miguel Boluda, Jr.
CEO