People's
CREDIT UNION
858 West Main Road, Middletown, Rhode Island 02842-6398
401.846.8930 • 800.498.8930 • Fax 401.846.1210

April 21, 2015

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

Dear Mr. Poliquin,

On behalf of People's Credit Union, I would like to thank you for NCUA's revisions to the RBC Rule, so-called RBC 2.0. The revisions demonstrate NCUA's willingness to listen to the credit union stakeholders. Although significant changes were made, there are still concerns with the revised proposed rule. I appreciate the opportunity that NCUA has offered to express our comments and concerns about the impact on credit unions based on the RBC 2.0 revised proposed rule.

People's Credit Union, which was incorporated in 1922, is a state chartered credit union operating six (6) branch offices serving approximately 30 thousand members throughout Rhode Island, southern Massachusetts and eastern Connecticut. As of December 31, 2013, the Credit Union assets were $379.8 million. Loans outstanding to members totaled $298.6 million, representing a 3.8% increase from the previous year. Member deposits totaled $315.2 million, representing an increase of 4.6%. Our member's equity also increased 4.0% to $40.7 million. The Credit Union's regulatory capital ratio increased to 11.33% remaining "well-capitalized" by current regulatory standards. Board and Management are committed to providing superior member service and helping members improve their financial health while remaining a safe, secure, and fiscally sound financial institution.

We have examined the proposed rule and have calculated our current and future capital levels based on the current and proposed Risk Based Net Worth (RBNW) requirements. Although People's Credit Union will remain "Well Capitalized", we are concerned with the negative impact of potential growth and our ability to manage our balance sheet to meet the needs of our membership in the future. I understand and support NCUA's initiative to evaluate the RBNW requirements to ensure a strong credit union system. However, as proposed, credit unions would be "managed" by this requirement, limiting growth in key areas with little or no regard for effective risk management by the Board of Directors and Management of the credit union.

As a community chartered credit union in New England, mortgage lending and servicing is a core product for our membership. People's Credit Union has been a lender of choice for mortgage products for several decades. The dedication of Board and Management to managing risk on our balance sheet has enabled us to continue to serve our members through mortgage lending while maintaining a strong capital position in an unstable economy. However, the risk weightings for these products as proposed appear to be structured to discourage credit unions from continuing to offer or grow this product line. In particular, the *Current Junior Real-Estate Loans > 20% of Assets* and the *Non-Current Junior Real Estate Loans* at 150% and *Mortgage Servicing Assets* at 250% is excessive.

In an effort to serve our membership, our Board of Directors has identified mortgage lending as a core product line. Maintaining mortgage servicing rights, allows People's Credit Union to serve our membership while managing our balance sheet growth and mitigating interest rate risk. A risk weight of 250% is excessive and is not commensurate with the level of risk. People's Credit Union does not securitize loans or invest in REIT's. We sell loans on an individual basis for cash delivery and retain servicing. Payments of P&I are remitted on an "Actual /Actual" basis not "Scheduled/Actual"; this eliminates the risk of exposure to increasing liabilities. The exposure to rising interest rates or prepayments is consistent with that of the loans held in portfolio and serviced. As such, I believe that the risk weight should be consistent with that of the mortgage portfolio. Requiring this high risk weight has a negative impact to our business strategy and undermines the Board's decision to maintain a high level of member service and a strong relationship with our membership. We request that these risk ratings be reevaluated and decreased.

We appreciate NCUA's decision to remove the Interest Rate Risk measures from the proposed regulation. NCUA has significant processes and guidelines currently in place to manage IRR and we are required to maintain a comprehensive Board approved IRR Policy. NCUA has a number of supervisory authorities to deal with "outliers". Based upon a credit union's membership base, geography and the Board's approved vision and direction, each credit union's balance sheet is unique. As such, IRR must be evaluated on an individual credit union basis with the entire balance sheet and Board and Management strategies being assessed. As IRR and strategies are reviewed and assessed annually during our examination process, we believe that there is no need for further regulation of this area. I attended the 2015 CUNA Governmental Affairs Conference in DC last month. I was pleased to hear Chair Debbie Matz state that the RBNW proposed regulation will be the last regulation implemented by NCUA for the foreseeable future. We concur in that no additional regulation is necessary, including IRR management.

Thank you again for the opportunity to comment on the revised proposed regulation.

Respectfully,

Ellen Ford
President & CEO