PYRAMID
FEDERAL CREDIT UNION

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April 27, 2015

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

RE: Risk Based Capital version 2

Dear Mr. Poliquin:

Pyramid FCU appreciates the opportunity to submit our comments to the NCUA on the proposed Prompt Corrective Action and Risk Based Capital proposed rule. Pyramid FCU is a $135 million asset credit union located in Tucson, AZ.

We appreciate the Board's willingness to make changes to the original proposal and we also appreciate their willingness to address Interest-rate risk under a separate proposal. Pyramid FCU is well-capitalized under the current regulations and remains well-capitalized with the proposed changes. In fact, as with many credit unions, our capital position would improve. However, we feel the changes did not go far enough and in addition, feel the rule itself is unnecessary.

We feel the following areas should be adjusted –

1. The NCUSIF deposit is an asset of the credit union and as such, should not be excluded from the calculations.
2. The concentration risk for mortgages should be eliminated. Credit unions should have the flexibility to manage their own balance sheet and take appropriate steps to mitigate any interest rate risk that arises from the complexion of their balance sheet. Many credit unions focus on one or two products (1st mortgages, indirect loans, etc.) and do a good job of managing the risk that comes with those products. You should not have to turn down any "good" loan due to the fact that you are at some arbitrary limit.
3. Investments in CUSO's – Pyramid FCU belongs to a three CUSO's, each of which, bring us access to a level of expertise that we will never have internally. One (COOP) is for our debit cards, one is for mortgage servicing (Centennial Lending) and one is for investments (CUFN). Operating without those CUSO's would actually increase many of our risks. If you are going to have a higher reserve for CUSO's it should be for investments with a much higher threshold than treating each CUSO investment the same.

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4. The proposed rule will reduce our potential for growth due to higher capital requirements. Currently, we are required to have better than a 7% capital ratio in order to be well-capitalized. In reality, previous exams have told us we need to around 10% for them to have "confidence" that we had adequate capital. During the Great Recession, it seems that no matter how much capital we had, it was never enough. Raising this requirement will require us to reduce our spending on member services and products. The new numbers targets seem to have very little with us being stronger, better and more viable for our members than it has to do with protecting the insurance fund. Increasing the new well-capitalized ratio to 10% will simply require us to try and increase our level to 12%-13%.
5. Finally, the cost to the NCUA of "adjusting and training" to the new call report requirements ($3.75 million) seems to far outweigh the value and benefits of the new regulation which in your statements will only affect a small number of credit unions. That number does not include the cost to the credit unions of implementing these changes.

We feel this change us unwarranted and unnecessary.

Respectfully submitted,

Ray Lancaster, CEO