Boston Firefighters Credit Union

Simple and Honest Banking

60 Hallet Street, Dorchester, MA 02124

April 27, 2015

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

Dear Mr. Poliquin:

Boston Firefighters Credit Union (BFCU) appreciates the opportunity to once again provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital. BFCU is a well-capitalized $210M CU serving 7,200 members in Dorchester, MA. BFCU greatly appreciates the agency's willingness to listen to the comments from the industry after the initial proposal and to make substantial changes to the proposed regulation. We also appreciate and understand the efforts to employ a risk-based capital standard as a means to maintain the financial strength of the credit union industry. However, we still see some areas where the rule could be improved without weakening its effectiveness. As a result, BFCU respectfully offers the following comments to assist the agency in its consideration of potential revisions to the proposal.

My initial concern is with the concept of an additional regulatory requirement for many well run credit unions that are struggling as is to comply with an ever increasing mountain of new regulation. The idea of a capital adequacy plan that could and often will be required by field examiners, under a Risk Based Capital Regulation, is an unnecessary burden for many credit unions. Properly managed credit unions address capital adequacy as part of their strategic planning process and often express goals for capital adequacy as part of their Asset Liability Management Policy. For most of us, a new requirement is not only unnecessary but is little more than a time wasting academic exercise. Possibly this could be alleviated by a change in the definition of a complex credit union but a change in the dollar threshold from $50M to $100M is only the beginning of the modification that is truly needed. The asset threshold of $550M that is being utilized by other banking regulators would be a good starting place for this discussion.

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Although significant progress has been made in the area of risk weightings, more work is needed. First mortgage loans over 35% of assets needs to be reconsidered and moved to a rating of 50% (similar to that used in the banking world).

The 250% risk weight assigned to mortgage servicing rights is quite excessive. For many credit unions this is not an asset that is traded or sold. It is an accounting requirement that it be capitalized and held as an asset. Accounting for mortgage servicing assets is already an unnecessary burden for many of us that have no intent of selling these rights. We sell loans to the secondary market as a simple and effective way of managing interest rate risk. We fully intend to service these mortgage loans as we consider the account to be a key to long term member retention. As such, there is very little practicality to the accounting process that we need to follow quarterly which leads to artificial increases and decreases in net income based on factors such as prepayment speeds. The risk weighting is related to this issue and a further step in the wrong direction. It increases complexity in an area where none is needed.

In areas where additional information is needed by the agency in order to assess risk and thus changes to the call report are being considered, I would like to once again suggest (as I did in Chicago last summer) that the agency consider making the submission of the additional information voluntary for most of the industry. In a credit union like BFCU, there is no need for us to currently submit risk mitigation data as our capital metrics are well above the benchmarks currently in place as well as those being contemplated. The additional data should only be required in the largest and most complicated credit unions if at all and otherwise should be voluntary for credit unions that need the agency to consider this information in order to properly assess their capital position.

Once again, thank you for providing the opportunity to comment. As a very well-capitalized credit union, we expect others to be held to a high standard. We truly understand the ramifications on our mutual insurance fund when a credit union is mismanaged and causes losses which must then be absorbed by us all. However, we feel that this proposal is incomplete and goes too far in its treatment of the asset side of the balance sheet. We feel that risks such as interest rate and concentration risk are unique to the individual credit union and need to be evaluated individually. We understand that this is virtually impossible in a one-size-fits-all model and thus feel that these risks should be evaluated as they are currently through the examination process when the complete picture of a credit union can be looked at by the trained eyes of an examiner and not be constrained artificially by regulation.

We remain hopeful that additional changes will be made to the proposal as the NCUA board and staff considers the comments of the many industry professionals and other interested parties who have taken the time to write. We also suggest that additional regulation over interest rate risk is not necessary and as mentioned in the previous paragraph is best handled through the examination process where all the factors affecting a particular institution can be properly evaluated.

Best wishes for wisdom and success as the process continues.

Sincerely,

John B. Winne
President/CEO