

# RIVER CITY

FEDERAL CREDIT UNION

May 2, 2014

Mr. Gerard Poliquin  
Secretary to the NCUA Board  
1775 Duke Street  
Alexandria, VA 22314

MAY07'14 PM 1:29 BOARD

Dear Mr. Poliquin,

On behalf of River City Federal Credit Union in San Antonio, Texas, I would like to offer the following comment letter on the recent NCUA proposed Risk Based Capital rule. While our credit union recognizes the need for a well balanced and credit union specific set of capital standards as an alternative to the current net worth standard established in 1998, which set 7% net worth as the standard to be "well-capitalized" for all credit unions regardless of risk profiles, we have serious concerns about the proposed Risk Based Capital rule and feel we must express our concerns to the NCUA Board.

First of all, the proposed regulation does not get away from a "one size fits all" metric, it is simply "one size fits all" applied to different categories of assets as opposed to total assets. There is no credit given for solid, low-risk performance in some of these specific categories like CUSO investments, mortgage loan portfolios and member business loan portfolios. Just by nature of the asset category, they will be weighted as higher risk. Some reward or incentive should be granted to those credit unions that maintain low risk (asset quality ratios) in these types of loan portfolios and/or CUSO investments.

In addition, the current 7% PCA net worth standard will still be required by law, but with the proposed new rule in place, an additional PCA standard is implemented for credit unions. Which standard is most important? This issue adds confusion to managing the affairs of all credit unions, including River City FCU.

Finally, the 18 month proposed time line for implementation is very short, and too short to make changes to asset concentrations for most credit unions. It takes time to effectively re-align a credit union balance sheet. Implementing a change to capital rule and only allowing 1 ½ years to comply seems unnecessarily burdensome. A more appropriate and adequate time frame would be suggested at 36 months.

In closing, we appreciate your willingness to allow River City Federal Credit Union to comment on this important proposed rule. We respectfully and strongly ask you to consider our concerns outlined above, and to consider possible changes that would alleviate these concerns. The strength, safety, soundness and long term viability of the credit union industry will be impacted by the capital structure under which we operate in the future. It is imperative that any changes to the credit union capital system be appropriate to the risk, and balanced with the ability to effectively manage that risk. Please feel free to contact me if you have any questions regarding our concerns.

Sincerely,



Kim L. Heinze, President and CEO  
River City Federal Credit Union