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5-22-14

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

Re: Halliburton Employees' Comments on Proposed Rule: PCA-Risk Based Capital

Dear Mr. Poliquin:

This letter represents the views of Halliburton Employees' Federal Credit Union regarding the NCUA's proposal on PCA-Risk Based Capital. Halliburton Employees' Federal Credit Union is based in Duncan, Oklahoma, and serves a multiple common bond field of membership. As of 3/31/14, our assets were \$144,731,256 with 16,106 members. Halliburton Employees' Federal Credit Union appreciates the opportunity to comment on this very important issue.

We would like to address topics that we believe directly affect our credit union:

- **Investments:**

1. We do not understand why cash on deposit and cash equivalents with maturities < than 3 months are assigned a 20% risk weight. These are all insured deposits, highly liquid and categorized on the call report as cash and should be risk weighted at 0%.
- The proposal applies risk weights to investments that increase with the weighted average lives of the investments. The risk weights on investments used by other U.S. regulators vary by the issuers or guarantors of the investments. Bank investments that carry a risk weight of 0 to 20 percent under banking rules are the same investments typically purchased by CU's. However, CU's are assigned risk weights much higher and are based solely on average life. Also, by using average life only, there is no consideration for the type of investments that are in our portfolio. There is no consideration for U.S government obligations and if these were risk rated properly, it would significantly reduce our risk rating. We recommend NCUA consider a more detailed breakdown of the securities within a portfolio and risk rate accordingly.

- **Lending**

1. Should all consumer loans be risk weighted by concentration? We recommend some consideration be given to terms, rates, secured versus unsecured, direct versus indirect, LTV, credit rating, and performance in the risk rating. Then tier your percentage rates, based on asset quality, not simply asset type. This modification would reduce the risk rating for a large segment of our assets.

- **Unfunded commitments**

1. While only 10% of unfunded commitments are used in this calculation, it could be an area we would look to terminate, if we need to reduce our risk. Consumers need to access these funds when they feel necessary and if we are forced to reduce these lines of credit, it could be detrimental to our members' needs.

- **NCUSIF Share Insurance Capital**

1. We believe the capitalization deposit should be included in the net worth calculation. It is listed as an asset on our balance sheet and should be treated as an asset in the calculation. If it is not an asset, then it should be treated as an investment and assigned a risk weight.

- **Examiner Discretion**

1. We do not feel an individual examiner should have the right to increase the risk based capital requirement based on their individual subjective judgment analysis. This will be impossible to manage by CU management and boards.

- **Implementation**

1. The 18 month implementation time table does not allow sufficient time for our credit union to adjust our balance sheet, if needed, to effectively comply. We also take issue with the time table allowed credit unions versus the nine years allotted for banks to comply.

- **Corporate Paid In Capital**

1. This is assigned a 200% risk weighting. Doesn't this work against NCUA's own post-corporate crisis rules designed to encourage building capital?

Our institution continually holds a high camel rating and we consistently receive excellent audits and have historically been well operated. We, like most credit unions, do not engage in risky business practices and maintain a well capitalized status. We also recommend some type of risk credit for credit unions that continually meet high standards.

In closing, thank you for the opportunity to comment on the proposed changes to NCUA's capital standards. We support requirements for credit unions to be strong financially, but do ask your consideration in reviewing our concerns.

A handwritten signature in cursive script, appearing to read "C Bower", with a long horizontal flourish extending to the right.

Chris Bower  
President/CEO

A handwritten signature in cursive script, appearing to read "Shirley Clark", with a long horizontal flourish extending to the right.

Shirley Clark  
VP Accounting