May 27, 2014

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

Re: Risk Based Capital Proposal

Dear Mr. Poliquin:

I am writing on behalf of the First Florida Credit Union board of directors. We serve over 40,000 members and have $410,000,000 in assets. Our Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action – Risk Based Capital.

The need for credit unions to be strong financially has our full support. It is a responsibility our board takes seriously and that we foucus on consistently through committee and board meetings. However, since credit unions build capital the old fashioned way (we retain a dollar that is earned at a time) this proposed rule could severely limit the ability of credit unions to take advantage of growth opportunities, increase the products and services we could provide to our members, and help our local communities prosper. Additionally, it would put the burden of increasing capital on the very same members who have helped build First Florida Credit Union into a thriving credit union.

In fact, we believe the proposal could actually serve to create a competitive disadvantage for First Florida Credit Union by requiring more capital be retained or raised compared to other non-credit union financial institutions that we are competing against. As a board of directors, we take pride in our ability to understand risk and promote a high level of member value as we look to grow our organization. Without a doubt, lending will be a key component of credit unions success in the future. Two areas that are strategic lending opportunities for our credit union are first mortgages and small business lending. The latter is a market that seems not to be a focus for large commercial banks and an opportunity to show consumers how a cooperative financial institution can help the community. An unintended consequence of this proposal is that it could actually serve to weaken our ability to meet future needs of consumers.

Some of our concerns include:

The NCUA would have authority to impose additional capital on a case by case basis. While NCUA has verbally stated that such action would require NCUA Board intervention, the proposal as drafted would not preclude examiners from requiring additional capital.

With the exception of consumer loans, the risk weights as proposed do not reflect the fact that historically, the risks for credit unions are lower than those of small banks. In addition, the risk weights of residential mortgage loans and small business loans are more advantageous for small banks than for credit unions. The difference is clearly seen in the table below.

Comparing Small Bank Basel and the NCUA Risk Based Capital Proposal		
Aspect	**Small Bank Basel Risk Weights**	**NCUA RBC Proposed Rule Risk Weights**
Residential Mortgage Loans	50% (regardless of concentration)	50% (0% - 25% of assets) 75% (25% - 35% of assets) 100% (35% and above of assets)
Small Business Loans	100% (regardless of concentration)	100% (0% - 15% of assets) 150% (15% - 25% of assets) 200% (25% and above of assets)

The proposal's risk weightings on mortgages and business loans would have a negative effect in rural and low-income areas as a number of credit unions in those areas have higher concentrations in agricultural and business lending. They are either exempt from the member business loan cap or they are a low-income designated credit union.

The proposed rule would only allow eighteen months for credit unions to comply. Banks will have up to nine years to comply with Basel III. If credit unions were given the same nine years that smaller banks are being given, this requirement would go into effect in 2023 (two years after the corporate stabilization program has ended). According to the latest estimates from Black Rock, the corporate stabilization program has both ends of their estimates negative. If these estimates continue in the negative, not only will the NCUA not be charging credit unions any additional money for the corporate stabilization fund, it is likely that the NCUA will be refunding money to credit unions in 2021 when the stabilization program is over.

We believe using the estimated average life of securities, based on maturity buckets as a means for determining the risk of an investment portfolio should be reconsidered. Longer term, adjustable and amortizing securities carry far less risk than non-amortizing, fixed rate issues. That picture may not be fully recognized by merely comparing the maturities of the two issues.

As a board of directors that is engaged and active within the strategic planning process, ALM strategies and other board related actives; we believe that this proposed regulation is not in our best interest and we respectfully ask NCUA to review the proposal and strongly consider alternatives. Credit unions are integral to meeting the needs of its customers and it is important that relationship not be compromised by conflicting regulations.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

Richard Hood
Chairman of the Board
First Florida Credit Union