



# SIoux EMPIRE FEDERAL CREDIT UNION

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May 27, 2014

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

RE: Comments on NCUA Proposed Rule: Prompt Corrective Action—Risk-Based Capital

Dear Mr. Poliquin,

I appreciate the opportunity to share my concerns and opinions about some pieces of this proposal. Who could argue against a statement of a correctly-applied risk-based capital application? Theoretically it makes perfect sense; those who pose the most risk should support the fund with the most capital. Unfortunately, once we get past this statement, this is where I separate myself from NCUA's approach to the topic.

Some of the most disconcerting pieces of this proposal are as follows:

Treatment of CUSOs – Our Credit Union and our membership of approximately 11,000 has benefitted greatly from our participation with our wholly-owned mortgage origination CUSO since its inception in 2003. It has offered an unparalleled degree of member service to not only our membership, but we currently offer our mortgage origination services to just over thirty (30) partners across our region. Isn't home ownership one of the "American dreams" that drives our economy? If this proposal is passed, we would be significantly penalized by this relationship and would need to seriously consider unwinding our current relationship with not only our mortgage origination CUSO, but also our three other CUSO partners, even though collectively they have generated over \$2,000,000 in net income (read "capital accumulation") for our Credit Union. Additionally, it would affect our desire to continue seeking new cost-effective ways to bring member service forward via the CUSO model. How does this CUSO treatment recognize the unique collaborative and cooperative structure of the Credit Union charter?

Closely on the heels of CUSO treatment is the valuation of mortgage servicing rights (MSR). One of the single largest compliments we receive is the ability to maintain the servicing of the mortgage loans we originate. Members consistently speak about how happy they are to simply walk into our lobby and make their payments face-to-face with a human being. If this proposal is passed as is, our Credit Union will have to reconsider the financial impact of booking this service if NCUA is going to penalize us so severely as we look to grow our member service and add MSRs.

My members' deposit into the NCUSIF is disappearing also?! By choosing to not recognize its presence in either the numerator or the denominator, we are devaluing its existence both in reality and in the political sense. Let's shout to the world how amazing this piece of our unique structure truly is by demanding its presence in any regulation of this sort. Do not quietly brush it under the rug; rather proudly announce its presence in the preamble to any remnant of this proposal that survives scrutiny.

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With all the “shrinkage” of the value of our capital, we must be granted the ability to support our growth by allowing ALL Credit Unions multiple ways to raise capital other than simply through net income. Call it whatever you wish, supplemental, secondary, etc. The point is, we are so severely limited in our current ability to raise capital that by imposing any additional devaluation of our capital ratios in this regulation, NCUA will create an even greater negative sensitivity to our natural, organic asset growth. I firmly believe this is not in the best interest of our current or future members, nor in NCUA’s long-term survival plan.

One of the most alarming pieces of this proposal is the examiner discretionary imposition of higher capital on a case-by-case basis. Opinions, specifically ones not shared by all parties, are what cause the most problems. There is no place for any “opinion” or “ambiguity” in a regulation of this magnitude. These pieces need to be spelled out in such great detail that any Credit Union leader could “fill in the blanks” and conduct this analysis. Why allow this much subjectivity?

As I read this proposal, I cannot deduce how it will deal with interest rate sensitivity (or the lack thereof) in any asset? Rather it seems to simply lump everything together based on simple maturities, failing to recognize probability of defaults (government insured investments vs MBLs vs mortgage loans) and interest rate repricing timetables. Surely that was not the intent of the proposal?

While I have cherry picked some pieces of the proposal to address specifically, I also have angst about several other sections too. Things such as; has it been PROVEN necessary (in my opinion, no)? Has NCUA given due consideration to the unique structure of Credit Unions (in my opinion, no)?

I trust my Credit Union peers have offered up many other select pieces of this proposal they find unacceptable and questionable from their unique business perspectives, but I anticipate the common thread is the same; this proposal is nowhere near being ready to approve and imposed upon the Credit Union community.

Please allow adequate time (years, not months) and opportunities (locally, regionally and nationally) to come together with a mutually-acceptable plan that recognizes our unique Credit Union structure and nature. The actions you take now or worse yet, the actions you do NOT take now, will have severe repercussions for decades to come as we attempt to remain focused on not only surviving, but thriving.

Again, thank you for this opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Jorgensen", with a long horizontal flourish extending to the right.

Jeff Jorgensen  
President