April 27, 2015

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

Re: NCUA's Risk Based Capital Proposal, RIN 3133-AD77

Dear Mr. Poliquin:

Superior Federal Credit Union appreciates the National Credit Union Administration (NCUA) Board's request for comments regarding the second proposed-risk based capital rule (RBC2). We would like to provide your office several comments regarding the proposed rule.

Superior Federal Credit Union is a 508 million dollar community credit union serving 52,000 members in West Central Ohio. We have reviewed your proposal and the implications that RBC2 would have on our members. With a current net worth ratio exceeding 15% and a proposed risked based net worth ratio of approximately 28%, one may assume Superior FCU would not be concerned about RBC2. However, after careful consideration of the proposal, we have significant concerns about this proposal and the potential impact on our membership.

After reviewing the proposal's risked weighted values, we asked ourselves two basic questions: 1) Does the merit of implementing RBC2 outweigh the potential harm in servicing our members? 2) Will the new RBC2 proposal limit services and require SFCU to retain more capital? We believe the regulation presents unintended consequences that will negatively impact the services we provide our members. Meanwhile, RBC2 will require credit unions to hold additional capital to meet regulatory requirements.

As an example, we reviewed Superior's balance sheet in 2008 during the midst of the financial crisis. In December 2008, Superior's assets were 303 million dollars with a net worth ratio of 11.63%. Superior was profitable and asset quality was well maintained. Most importantly, Superior was well-positioned under current net worth regulations to help our members as the nation entered a severe economic recession. As a comparison, we calculated our RBC2 ratio for the same period in December of 2008. We projected SFCU's RBC2 ratio to be approximately 18% which was well above the RBC2 proposed rule. Although we easily achieved the RBC2 standards in 2008, we discovered under stress scenarios, RBC2 could have a negative impact on our capital requirements.

Reflecting on the last recession, Superior was concerned about unemployment rates, a looming foreclosure crisis, higher delinquencies, potential corporate credit union assessments, and severe economic headwinds. Although there was much uncertainty, Superior made a calculated effort to utilize our capital to support our members. *While other financial institutions were restricting credit; Superior made a concerted effort to aggressively increase credit.* As a result, Superior originated over 7000 loans for 388 million dollars in 2009 which was more than our 2009 assets of 332 million. Many of these loans were fixed rate mortgages that SFCU sold to the secondary market with servicing rights retained. By effectively originating and selling mortgages to the secondary market, SFCU mitigated interest rate exposure thus *reducing* our long-term interest rate risk. Most importantly, we helped our members obtain better interest rates and consumer friendly financing terms. As a result, our mortgage servicing rights doubled from 1.5 million dollars to 3 million dollars in a 24 month period. As proposed in RBC2, mortgage servicing rights are valued at 250% which we find troubling. The current proposal creates an incentive for credit unions to sell mortgages servicing rights to an aggregator versus directly servicing our member's mortgage loans and holding the servicing rights.

Superior also supported small businesses during the recession. SFCU provided credit to small business as our member business loan portfolio increased by 50% from 2008 to 2011. There were many small businesses in our area that needed access to credit during the recession. If the current RBC2 proposal was in existence, I am not certain the regulatory incentive for SFCU to dramatically increase our business lending would have existed. Undoubtedly, our local recession would have been deeper and the recovery slower if SFCU didn't have the regulatory flexibility to provide credit to small businesses.

The current RBC2 proposal exacerbates capital ratio swings as heavier risk weightings are attributed to delinquency, mortgage servicing rights, and member business loans. In economic downturns, SFCU would have been more sensitive to increasing our mortgage servicing rights and member business loans under RBC2 regulations. Is this the intention of the RBC2 proposal? Does the NCUA want credit unions to support their members in times of distress or be focused on meeting arbitrary regulatory requirements? As mentioned earlier, does the merit of implementing RBC2 outweigh the potential harm in servicing our members?

We understand the NCUA's desire to implement a risked- based capital structure similar to other financial institutions. As a cooperative, our fundamental structural differences create a risk mitigation tool not captured on a balance sheet or in financial ratios. Credit unions performed admirably in the financial crisis and served our members extremely well. We should not be penalized by additional regulatory capital requirements. We believe the key to safety and soundness begins with prudent management and proper supervision. If applied reasonably, the share insurance fund can be protected while servicing our member's financial needs during all economic cycles. We urge the NCUA to withdraw the proposal as it creates unnecessary regulatory barriers that may negatively impact service to our members.

Respectfully,

Phil Buell

Phillip R. Buell
President / CEO