



SC TELCO

FEDERAL CREDIT UNION

April 27, 2015

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

Re: Notice of Proposed Rule: Risk-Based Capital Second Proposal

Dear Mr. Poliquin,

SC Telco Federal Credit Union appreciates the opportunity to provide comments regarding the National Credit Union Administration's recently proposed Risk-Based Capital revised rule. We thank the NCUA for revising the original proposal, although we still believe that a risk-based capital rule is unnecessary, complex and burdensome.

1. "Complex" Credit Unions

The definition of a "complex" credit union is too simplistic. The asset size should not define a "complex" credit union. We are in agreement with CUNA's recommendation regarding the threshold increase to \$500 million and combining it with the NCUA Complexity Index to identify those credit unions who would be required to meet the risk-based capital provisions. Due to the fact that credit unions with \$500 million or more in assets hold two-thirds of the NCUSIF insured shares, this definition of a "complex" credit union makes sense.

2. Risk Weights

We very much appreciate the positive change from the original proposed rule. However, we would like to know what the basis is for the risk weights chosen. The risk weights for banks can be considerably lower than those proposed for credit unions. Yet, credit unions have had a lower loss history. The concentration risks should be managed through the examination process.

3. CUSOs

The risk weighting of 150% assigned to unconsolidated Credit Union Service Organizations (CUSOs) sends a message that NCUA feels all CUSOs are very risky,

Corporate Office

420 East Park Avenue (29601)
PO Box 10708 (29603)
Greenville, SC
(800) 922.0446
(864) 271 8060 | Fax
www.sctelco.com
www.facebook.com/sctelcofcu

Branch Offices

Greenville

300 Mills Avenue
Greenville, SC 29605
(864) 271 2300
(864) 271 2302 | Fax

101 Verdae Boulevard
Suite 1300
Greenville, SC 29607
(864) 297 8984
(864) 297 1498 | Fax

Taylors

3237 Wade Hampton Blvd.
Taylors, SC 29687
(864) 527 5328
(864) 527 5339 | Fax

Easley

118 Brushy Creek Road
Easley, SC 29642
(864) 859 3607
(864) 859 0326 | Fax

Spartanburg

130 North Town Drive
Spartanburg, SC 29303
(864) 585 8999
(864) 585 5664 | Fax

Columbia

1025 Putaski Street (29201)
PO Box 3287 (29171)
Cayce-West Columbia, SC
(803) 256 3132
(803) 799 7825 | Fax

Florence

2321 Trade Court
Florence, SC 29501
(843) 665 6471
(843) 665 7143 | Fax



SC TELCO

FEDERAL CREDIT UNION

Corporate Office

420 East Park Avenue (29601)
PO Box 10708 (29603)
Greenville, SC
(800) 922.0446
(864) 271 8060 | Fax
www.sctelco.com
www.facebook.com/sctelcofcu

Branch Offices

Greenville

300 Mills Avenue
Greenville, SC 29605
(864) 271 2300
(864) 271 2302 | Fax

101 Verdae Boulevard
Suite 1300
Greenville, SC 29607
(864) 297 8984
(864) 297 1498 | Fax

Taylors

3237 Wade Hampton Blvd.
Taylors, SC 29687
(864) 527 5328
(864) 527 5339 | Fax

Easley

118 Brushy Creek Road
Easley, SC 29642
(864) 859 3607
(864) 859 0326 | Fax

Spartanburg

130 North Town Drive
Spartanburg, SC 29303
(864) 585 8999
(864) 585 5664 | Fax

Columbia

1025 Pulaski Street (29201)
PO Box 3287 (29171)
Cayce-West Columbia, SC
(803) 256 3132
(803) 799 7825 | Fax

Florence

2321 Trade Court
Florence, SC 29501
(843) 665 6471
(843) 665 7143 | Fax

which is not an accurate portrayal. The increased risk weighting could have an impact on the decisions credit unions make going forward regarding investing in CUSOs. When credit unions don't have the internal resources to offer certain services to their membership, they turn to CUSOs to provide these types of services. Any risk is managed through the required due diligence and independent audits. This risk rating for CUSO investments should not be higher than risk weight of CUSO loans, which is 100% under this proposed rule.

4. Capital Adequacy Plan Requirement

This requirement causes the greatest concern for us. Strategic capital planning depends on the long term goals and desired capital adequacy we have created for ourselves. The ability to make adjustments based on our risk assessments and risk tolerance could be impeded by the examiner's subjective opinion versus the risk being measured by the risk weighting process. If NCUA determines this provision will stand as proposed then it should only be exercised by the NCUA Board and not by individual examiners.

5. Goodwill

Goodwill should be either factored in or excluded based on the Generally Accepted Accounting Principles (GAAP) rules for consistency. GAAP requirements allow for goodwill at this time. Goodwill offers possible incentive to a credit union who is evaluating all the factors when making the decision to merge in another credit union. The inclusion of the goodwill factor in the risk-based calculation should not be limited to "supervisory mergers". Non-supervisory goodwill should be allowed in the calculation to prevent a credit union from being dissuaded from a potential merger that would benefit the memberships of both credit unions.

Once again, we thank you for the opportunity to comment on these proposed regulations and appreciate your consideration of our comments. Please consider the impact and additional regulatory burden these proposed rules will have on the credit union industry.

Sincerely,

Steve Harkins
President/CEO