March 17, 2015

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

RE: Comments on NCUA Risk-Based Capital Proposed Rule

Dear Mr. Poliquin:

On behalf of JetStream Federal Credit Union, a CDFI certified credit union serving a 75 percent low income field of membership in Miami Dade County and Puerto Rico, I am writing to you regarding the proposed risk-based capital rule. We very much appreciate the opportunity to provide our thoughts on this important regulatory proposal, to express some of our concerns about the potential negative impact of the proposed rule on credit unions if finalized in its current form and to offer some suggested improvements in the rule for your consideration as you move forward in the rulemaking process. As presented, this rule will have a devastating effect on the credit union industry, the American consumer, and our nation's small businesses. While supportive of the idea of a risk-based capital regime for credit unions, the current NCUA proposal is not appropriate for credit unions or the credit union industry. If it were to be implemented as proposed, credit unions would find themselves at a significant competitive disadvantage to banks. As proposed, the rule is one-size-fits-all and would serve to stifle growth, innovation, and diversification within credit unions.

The senior managers and volunteers at JFCU have many concerns with the proposed rule and its potential impact on operations at JFCU as well as the industry as a whole. Our chief concerns are outlined below:

CUSOs

• The 150 percent risk-weight for investments in CUSOs is arbitrary, lacking in sufficient rationale, and doesn't reflect the actual risk of investing in CUSOs.
• CUSO investments should be weighted at 100 percent.
• Any exceptions to potential credit union risk should be managed through the examination and supervision process and not by a system-wide capital regime.

Corporate Paid-In Capital

• Corporate paid-in capital is risk-weighted too high at 150 percent.

• Paid-in capital would be more appropriately weighted at 125 percent to recognize that the corporate credit union structure is now a less risky asset than was during the crisis.
• A weight that reflects the actual risk for paid-in capital to corporate credit unions would benefit natural person credit unions, corporate credit unions, and the share insurance fund.

Supplemental Capital

• Supplemental capital authority is needed now more than ever considering the restrictions brought on by this rule.
• Supplemental capital authority is not the answer to the entire industries worries about capital, but it is a powerful tool that should be given to all credit unions.
• NCUA should call on Congress to pass a legislation solution that modernizes capital standards to allow supplemental capital and directs the NCUA Board to design a risk-based capital regime for credit unions that takes into account material risks instead of the current proposed rule.

Goodwill

• JetStream completed a successful $20m / 1,800 member credit union merger in 2013.
Removing Goodwill will negatively affect credit unions that have had recent mergers by failing to allow them to fully realize the previously accounted for benefit.
• Removing Goodwill will present a disincentive for healthy credit unions to become merger partners for troubling or failing credit unions because of the possible significant negative effect to their risk-based net-worth ratio.
• Goodwill should be added back into the numerator for the risk-based capital ratio.

In conclusion, JFCU is supportive of the idea of a risk-based capital regime for credit unions; however, the current NCUA proposal does not achieve the desired system and would ultimately harm credit unions. If it were to be implemented as proposed, credit unions would be at a significant competitive disadvantage to banks. As proposed, the rule is one-size-fits-all and would serve to stifle growth, innovation, and diversification at credit unions.

Thank you for your continued commitment to listen to feedback from credit unions on this important issue. Should you have any questions or would like to discuss these issues further, please feel free to contact me jkucey@jetstreamfcu.org or (786) 449-3080.

Sincerely,

Jeanne Kucey

Jeanne Kucey
President and CEO
JetStream Federal Credit Unions