From:	Jeffrey Davenport
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Wednesday, March 26, 2014 6:50:06 AM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Southbridge Credit Union, which serves 5 counties in Central Massachusetts. We have 15,000 Members and $174.0 million in assets. Southbridge 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.

If I am understanding the new proposal correctly, the weights being used to calculate the Risk Based Capital would have impact on our ability to grow our organization and continue to lend money to our communities in helping consumers purchase their homes and help small businesses grow as well. Our core business is lending and we do a good job at managing our risk and concentrations and this proposed new ruling would have negative impact on our ability to serve our communities.

I do agree that some level of change does need to be implemented to protect the future of credit unions in our country. I'm just not in full agreement with the magnitude and weights being used across the board. I'm not opposed to the steps NCUA needs to take to protect the integrity and safety of our industry for the sake of our members, but I do feel the pendulum has swung too far in one direction as compared to Basel III that our competing community banks will be held to.

I do feel that taking Risk Based Capital to a case by case scenario based on the balance sheet and past performance of the individual credit unions makes more sense. I do feel that some organizations should be held to a higher standard as it relates to concentration risk, but feel the rule as written takes too much of a broad brush stroke at this issue.

As for specific weights and categories, I do feel that the weighting should be focused to changing asset management behaviors in credit unions. If we have high weightings in mortgages, MBL, and other loan categories, it impacts the way credit unions operate their core business. Long term investments, investments in CUSOs and other alternative investments are not specifically core to what credit unions do, so having higher standards in these areas certainly makes sense to me. I do feel the NCSUIF deposit should be excluded since that is the cushion to the risk that we have at specific credit unions already to protect our members from loss.

I do not agree with the position that NCUA should be able to restrict dividend payments to members. In my humble opinion, those dividends belong to the members and if a credit union is financially sound and can show future sound financial growth, paying dividends to their members should be a decision made by the individual credit union' management and board.

As the proposal rolls out in one form or another, I do feel a credit union should have a period of time to make adjustments on their balance sheet to position themselves for sustained growth in the next several years. I would think a 2-3 year ramp up should be enough time to start making those financial decisions and adjustments.

In closing, I do appreciate what the NCUA Board of Directors is attempting to do with this proposal to protect the industry as a whole for future viability, as well as, continue to provide a safe haven for consumers to do their banking. However, the current wording of the proposal would do nothing more than put my organization at a disadvantage in competing with the area community banks, due to the Basel III difference in weights per asset classification. There are credit unions that need to be held to a higher standard due to elevated risk on their balance sheets, but that measurement should be on a case by case basis. If risk weighting needs to be part of this proposal, let's re-evaluate how it can be done across the board to be fair and equitable to all credit unions and not continue to extend the gap between credit unions based on assets in our country.

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

Sincerely,

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