



April 9, 2014

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

Dear Mr. Poliquin,

I am writing this comment letter on behalf of Service First Federal Credit Union, which serves the communities of Minnehaha, Lincoln, and McCook in southeastern South Dakota. We serve 15,000 members and are currently at \$130 million in assets.

The proposed NCUA Risk Based Net Worth (RBNW) regulation is very concerning and alarming to our credit union. Due to past lending practices under a prior administration, our credit union was moved into Prompt Corrective Action (PCA) when I arrived at the credit union. We have battled over the past four years and will move into a "Well Capitalized" status within the next six months. Under this proposed regulation, we would have to battle another four years to get back to that same status.

Our first concern of the credit union is why the NCUA elected to draft its own regulation that is contrary of Basel III which our direct market competition has to adhere to. These differences between the two regulations hinder the ability of the credit union to compete against the community banks. Specifically, the risk-weighted matrix inside the NCUA proposed regulation appears to punish the credit union's ability to provide member business loans and real estate loans, which are not only critical in providing the community a cheaper alternative to the heavily fee based community banks for the exact same services. All members and prospective members should have access to these products and services.

Another key point that impacts our credit union is the manner in which the proposed regulation risk-weights the investment portfolios of the credit unions. We would ask the NCUA to review this matrix and reconsider its methodology as the current proposal is way too conservative and impairs the ability to generate investment income from those investments. Currently, our credit union has a \$54 million portfolio that generates around \$105,000 in income on a monthly basis. Our investments consist primarily of GNMA's which are principal guaranteed instruments or as safe as certificates of deposits.

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Lastly, we are strongly encouraging the NCUA to take a step back and listen to the credit union's input regarding this regulation. It took the FDIC almost five years to draft and implement Basel III, and we feel that the NCUA should do the same.

Thank you for the time and consideration reviewing this letters and all others submitted.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Travis Kasten".

Travis Kasten

President / CEO