

March 31, 2014

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

Southwest Airlines Federal Credit Union  
Charter: 22157

**Comment on Risk Based Capital Requirements Proposal**

Southwest Airlines Federal Credit Union does not believe the Risk Based Capital proposal should be adopted. The credit union industry as a whole has been financially sound and there is not a significant reason to add additional capital requirements on Credit Unions. While the proposed capital requirements do not currently impact Southwest Airlines Federal Credit Union, we believe it will severely limit our credit union's ability to grow and service member needs in the future by restricting the credit union's use of capital. As the NCUA is aware, the only way a credit union can build capital is through retained earnings. Regulations have become so stifling that it is challenging for the credit union industry to maintain a spread and build capital. Further restricting the use of the capital we have will negatively impact our credit union and our members.

If the proposal is put into effect, there are several pieces of the proposal we respectfully ask the NCUA to consider revising or removing from the requirements. The first consideration should be to eliminate the ability for individual examiners to have leeway in increasing the risk weight requirements for assets such as first mortgage real estate loans and member business loans. The current risk based capital proposal gives NCUA too much subjective decision making ability to raise the required level of capital.

Examiners should not have the ability to arbitrarily change the calculation structure of the risk based capital requirements based on their opinion and assumptions. We prefer to have this entire piece of the proposal removed; however, if examiners are allowed to change the capital requirements for a credit union, the decision must be based on measurable data derived from market valuations or performance of the assets specific to the credit union in question.

The second consideration should be to remove the higher risk components for delinquent loans. We believe this to be a double calculation in the proposal because the ALLL balance is already factored into the formula. GAAP requirements have adjusted the ALLL calculation to be so inclusive of every possible loss scenario; including a rolling history of losses directly related to delinquencies, losses on probable loans that will default, and TDRs. Adding an additional risk factor for delinquencies is redundant and unnecessarily further restricts the use of capital.

Finally, the proposed regulation completely ignores the liability side of the balance sheet. Credit Union strategies using deposit mix and borrowings to offset risk as well as risk incurred on the liability side is not considered. We believe that any risk based proposal should include all components of the balance sheet.

We appreciate the opportunity to comment on the proposed capital requirements and sincerely hope the NCUA carefully evaluates the concerns addressed by all members of the credit union industry.

Sincerely,

A handwritten signature in black ink, appearing to read "Tabitha Magers", with a long horizontal flourish extending to the right.

Tabitha Magers  
SVP  
Southwest Airlines Federal Credit Union