May 5, 2014

National Credit Union Administration Board
1775 Duke Street
Alexandria, VA 22314

Re: Risk-Based Capital

Dear Board Members,

We have many concerns with the Risk-Based Capital Requirements. First and foremost we just came through a difficult economic period for many cooperative credit unions and the current capital standards appeared to have sufficed just fine. As cooperative credit unions we should not be compared to banks as we can't raise capital similar to banks – except for Low Income credit unions that can take in Secondary Capital. This rule should be delayed until all credit unions can take in Secondary Capital.

Second we think there are major unintended consequences! We estimated the Risk Based Asset weights at approximately 66.5% to maintain equal capital status with PCA. We're confused why consumer loans rate at 75%? We are also confused why First Mortgages from 25% to 35% of assets would also be rated at 75%? And finally, why would Member Business Loans up to 15% of Assets be weighted so heavy at 100% and even worse MBL from 15% to 25% weighted at a staggering 150%? We think all of this weighting is overly conservative by at least 25 bp and in some cases 50 bp. Lending is one of our main purposes as defined in the Federal Credit Union Act as follows:

- §1752. §101 Definitions.

> (1) the term "Federal credit union" means a cooperative association organized in accordance with the provisions of this chapter for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes.

We are member-owned financial cooperatives, democratically controlled by our members. We operate for the purpose of promoting thrift, providing credit at competitive rates, and providing other financial services to its members. Our primary purpose is built around lending. The proposed regulations weights should be relaxed to allow room to offer our primary basic services.

Forcing successful credit unions to curb lending would be disastrous to many local economies especially in the rural parts of our country where consumers already have limited choices for financial institutions. Many credit unions in rural areas are the primary lenders in their service area and have been doing successful lending for years. With this proposed regulation local economies and communities will suffer and could cause mini credit crunches in some local economies. We suggest that the NCUA Board act very cautiously about putting additional road blocks in the way of healthy credit unions focused on meeting the Members needs and living the credit union mission!

We also believe this proposed regulation may do more to harm the credit union system by paralyzing growth and put further pressure on the ability to earn a healthy bottom line by limiting all types of lending and income producing CUSO's. The proposed regulation will limit net income potential even further when healthy credit unions bumping up against risk-based capital limits will be forced to curb lending or shrink assets.

We believe in and understand the need for Risk-Based Capital standards – however we believe the Standards are too high and aggressive for Cooperative Not-For-Profit credit unions. We are trying to serve our local communities by meeting our Members borrowing needs. We should not be penalized for doing what is considered to be our basic purpose or mission.

Sincerely,

Daniel R Cumbee – President / CEO