



Sioux Falls Federal Credit Union

May 6, 2014

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

MAY 12 '14 PM 2:37 BOARD

RE: Comments on NCUA Proposed Rule: Risk-Based Capital

Dear Mr. Poliquin,

Credit Unions are not for profit, not for charity, but for service! Service is what we do and why we exist. Sioux Falls Federal Credit Union (SFFCU) prides itself on serving our four county community, over 26,000 members, and providing relevant financial services to those we serve. This proposed rule will potentially impede our ability to continue to do so.

While the proposed rule doesn't impact SFFCU at this time, my concern is the future. I cannot predict what the makeup of our four counties will look like in 10 or 20 years or what the needs of our members will be from a lending and deposit standpoint, but I am certain it won't be the same as it is today. It is ludicrous to think SFFCU may be forced to make decisions on our risk tolerance and what is right for our members and community based upon a rule that will require us to make balance sheet adjustments to comply with yet another regulation. It seems to me, with the multitude of NCUA regulations we currently have to comply with, NCUA is already managing our balance sheet. A new rule will just impede this further. If NCUA is for credit unions, this sure feels like a move against credit unions.

What's the hurry? Although NCUA is asking for comments, it sure feels like with the repeated denial to the requests to extend the comment period, NCUA is going to do what NCUA wants. In addition, I have grave concerns that the rapid implementation NCUA is proposing for compliance will have devastating effects on many credit unions. Not all credit unions are created equal, and more time will be needed for some as they will be required to make significant decisions on what their balance sheets will need to look like. It doesn't make sense to me that a performing credit union may have to alter their current product offerings and business plans to comply with a rule when they are currently serving their field of membership in a prudent manner.



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What about the NCUSIF deposit? It is not equity to a credit union, but equity in the NCUSIF. It is available to the NCUSIF for losses, so it's not really an asset of the credit union for this purpose. What's your logic? Keeping in mind that this is only for the purpose of arriving at risk-based capital, I am having a little trouble getting this straight in my head. It is a bona fide asset and is only considered available for losses by NCUA. I cannot quite figure out why it is then deducted from equity in arriving at the numerator for this calculation. Does deducting it from the capital side assume it is a loss?

I also believe NCUA is particularly harsh in their weighting of investments, first-mortgage real estate loans in excess of 25% of assets, CUSO's, other real estate loans and member business loans in excess of 25% of assets. Each of these cannot be cookie cutter for all credit unions. CUSO's, mortgage loans and investments can be quite different from one another and categorizing them all as creating the same risk doesn't make sense. It would make sense to me then that real estate secured loans be weighted by borrower credit worthiness and collateral sufficiency rather than by a percentage of assets. Investment should be classified based on the creditworthiness of the issuer rather than by maturity, and CUSO's should not be weighted by more than 100% as I find no rationale for anything higher.

Another area of contention is the authority of NCUA to assign arbitrary higher capital levels. This is part of the purview of NCUA today via other rules. While it may seem like this is nothing new, it surely convolutes what is currently in the rules and seems quite unnecessary to me.

Why is NCUA wasting credit unions time with a proposal that is clearly duplicative of other regulations already on the books; proposes to micromanage credit unions in the structure of their balance sheets; and grab more power because credit unions ignored their informal cautions? Clearly, NCUA is acting outside the scope of the Federal Credit Union Act with this proposal.

Please, I implore you, to rethink this proposal, modify and/or eliminate it. Thank you for allowing me the opportunity to provide you with my thoughts and comments.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Fran Sommerfeld', written over a white background.

Fran Sommerfeld
President/CEO

cc. Credit Union Association of the Dakotas
Credit Union National Association
Senator Tim Johnson
Senator John Thune
Congresswoman Kristi Noem