COMPLEX COMMUNITY
FEDERAL CREDIT UNION

5-13-2014

Mr. Gerard Poliquin
Secretary to the NCUA Board
1775 Duke Street
Alexandria, VA 22314

Dear Mr. Poliquin,

On behalf of Complex Community Federal Credit Union, I would like to offer the following comment letter on the recent NCUA proposed Risk Based Capital rule. We are based in Odessa, Texas with branches in Odessa, Midland, Andrews, Monahans, and Big Spring. We serve 40,000 members. While our credit union recognizes the need for a well-balanced and credit union specific set of capital standards, but we have serious concerns about the proposed Risk Based Capital rule that we feel must be addressed. This type of rule should include changes to the statutory capital requirements, including lowering the pure leverage ratio and permitting all credit unions to have the option to access supplemental forms of capital to meet leverage ratio requirements. From the outset, the proposal is misguided because it layers on top of the existing statutory standards a risk-based system that in many areas is more stringent than the Basel system for small banks. We would like to respectfully address the following concerns to the regulation in these specific areas.

-An examiner has discretion to increase risk based capital requirement for an individual credit union based upon an examiner's subjective analysis of additional risk. This discretion to adjust the capital ratio is a major flaw. This creates a subjective goal line that can change and will be impossible to manage towards by CU management and boards. I would like to see you remove the subjective examiner discretion. I believe it will lead to arbitrary determinations and inconsistency of application. It is crucial for credit unions to know concretely what their regulatory capital expectations are and to be able to manage to a specific number.

-There is no incentive on mortgage, and MBL. This new rule offers no credit to any of the categories even if the portfolio is performing well. The risk-weights in the rule are poorly calibrated and more stringent than comparable risk-weights under the Basel regime for small banks. NCUA's proposed risk weights are higher for these loans than risk weights applied to community banks under Basel III. In two important cases--residential mortgage loans and member business loans--the weights would be double the comparable Basel weights. This despite the fact that for these two categories of loans, credit union losses trend at about half the loss rates of community banks.

In closing, we appreciate your willingness to allow Complex Community FCU to comment on this important regulatory proposal. We respectfully and strongly encourage you to consider possible improvements to the Risk Based Capital Rule. The strength, safety, soundness and long term viability of the credit union industry will be impacted by the capital structure under which we operate in the years and decades to come. It is crucial that any changes to the credit union capital system be appropriate to the risk and balanced with the ability to effectively manage that risk.

Respectfully,

Jason Berridge
President/CEO

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