



May 1, 2014

Mr. Gerald Poliquin  
Secretary of the Board  
National Credit Union Administration

Sent VIA E-Mail: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

Re: Comments on Proposed Rule regarding Risk-Based Capital

Dear Mr. Poliquin:

Southwest Heritage Credit Union appreciates the opportunity to comment on the Proposed NCUA Rule regarding Risk-Based Capital.

Southwest Heritage Credit Union cannot find any justification for this proposal. We do not see the need for an additional risk based standard on top of the already existing statutory leverage ratio requirements. Credit Unions survived the worst financial crisis since the Great Depression just fine. We are not aware of any widespread demonstrated problems related to the current PCA regulation. The purpose of having capital levels is to minimize losses to the insurance fund; however, the National Credit Union Share Insurance Fund is performing well within the current rules. In short, this proposal would require that credit unions raise approximately \$7 billion in unnecessary capital. This would be extremely challenging when you consider that most credit unions do not have access to supplemental forms of capital.

If credit unions are forced to raise additional capital and most credit unions do not have access to supplemental capital they will be forced to raise this through retained earnings, to do this, they will have to readjust their balance sheets by reducing assets deemed "risky" by the rule, and this would have the effect of shrinking the availability of credit specifically for mortgages and member business loans. Additionally, some credit unions due to their location may have higher concentrations of say, business or agricultural loans.

The risk weights appear to be arbitrary and do not bear any relation to losses experienced by credit unions. Two categories, business loans and mortgages, have risk weights that are twice as much as comparable Basel weights for community banks even though credit unions losses are about half that of community banks.

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Additionally, there is simply not enough time to adequately implement this rule. Again, banks have been given almost 9 years to fully implement the Basel capital standards (they are not due to be fully implemented until 2019) Eighteen months is not enough time for credit unions to make the necessary changes to be in compliance.

Southwest Heritage Credit Union respectfully objects to this proposal as currently written.

Sincerely,

Craig Harris  
Vice President of Audit and Compliance  
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