SWEET HOME
FEDERAL CREDIT UNION

MAY16'14 PM 2:22 BOARD

May 13, 2014

Mr. Gerald Poliquin, Secretary of the Board
National Credit Union Administaration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Mr. Poliquin:

I am writing this letter to express my opposition to NCUA's proposed risk-based capital regulation. As an employee of Sweet Home Federal Credit Union in Amherst, New York, and the Vice President of our local credit union chapter, I am aware of the concerns that many credit unions have about this regulation.

NCUA has not demonstrated the need for additional regulation. In the preamble to this proposed regulation, NCUA acknowledges that the "vast majority" of credit unions are well-capitalized. Considering how weak the economy has been over the last five years, the fact that only 102 credit unions went into conservatorship and forced payments out of the Share Insurance Fund is a remarkable achievement. Notwithstanding the success of credit unions, NCUA argues that, based on the acts of some credit unions, the industry as a whole should be subjected to greater risk-based capital requirements. If the vast majority of credit unions perform appropriately, why should all credit unions be subject to greater NCUA oversight if they have over $50 million in assets? This is particularly true since the regulation will impact not only credit unions that are no longer adequately or well capitalized under this proposal, but also force many credit unions that operate with a capital buffer to reconfigure their investment and lending composition.

In addition to not demonstrating the need for risk-based capital reform, NCUA is proposing risk weightings that will make it more difficult for credit unions to provide needed services to members. For example, while I agree that loans should have different weightings based on whether or not they are delinquent, NCUA should not assume that concentrations of MBL loans automatically pose a greater threat to a credit union's capital without also taking underwriting into account. Similarly, since the length of an investment does not automatically make it a riskier loan, if NCUA goes forward with this proposal, it should not weight investment assets based on their length.

1960 Sweet Home Road
Amherst, NY 14228

www.sweethomefcu.org
(716) 691-9187

The industry as a whole would benefit not from risk-based capital, but from allowing all credit unions to accept credit union capital. As Congress seeks out NCUA's opinion on secondary capital legislation, NCUA should be a vocal proponent of secondary capital. Otherwise credit unions will be the only financial institutions subject to RBC requirements without access to outside capital.

Even though the credit union for which I work would not be subject to risk-based capital at this time, all credit unions would be directly or indirectly impacted by enhanced risk-based capital regulation. NCUA has not demonstrated the need for this proposal and should not finalize new RBC requirements at this time.

Sincerely,

Kathryn Getz

Manager/CEO

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Amherst, NY 14228

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