



National Credit Union Administration
Mr. Gerard Poliquin
Secretary, NCUA Board
1775 Duke Street
Alexandria, VA 22314-3428

RE: NCUA Risk-Based Capital Proposed Regulation, RIN 3133-AD77
May 20, 2014

Dear Mr. Poliquin,

This letter is being submitted on behalf of SAC Federal Credit Union of Papillion, Nebraska. We are a community chartered credit union, serving eight counties in Nebraska and Iowa. We have \$705 million in assets as of March 31, 2014 and are considered well-capitalized under NCUA's current capital requirement, as well as under the current risk based capital proposals. SAC Federal Credit Union believes NCUA has the right and obligation to implement a risk based capital structure to evaluate credit unions, but we believe there are some adjustments that should be made to this proposal.

Time Frame to Implement Risk Based Capital Requirements

This NCUA proposal has an implementation time frame of 18 months, which SAC believes is too short to make all required changes. Credit Unions are only able to increase capital from earnings, which takes time to build up. Additionally, credit unions have only been under the requirement to retain 7% capital to asset ratio to be considered well-capitalized in today's environment. In today's complex environment, investments, loans, or other assets making up a large portion of our balance sheets, it will take time to rebalance these assets as they mature or are sold, if necessary. This also may require the strategy of the credit union's lending or investment committees to be adjusted to accommodate this ruling. SAC believes there should be a minimum 36 month implementation period to give credit unions time to adjust strategies, realign our balance sheets, and build up additional capital.

NCUSIF Deposit

The National Credit Union Share Insurance Fund (NCUSIF) is the federal fund created by Congress in 1970 to ensure our member's deposits are insured, up to \$250,000, as of July 22, 2010 with the passage of the Dodd-Frank Wall Street Reform Act. Credit unions are required to maintain one-percent of our deposits in the NCUSIF. Under the current proposal, NCUA is having this deposit subtracted from both the numerator and denominators of the risk based capital equation, which doesn't make sense to SAC why this deposit amount would be subtracted from our capital and allowance for loan losses. We recommend the NCUSIF deposit not be subtracted in the numerator.

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Investments

The investments section does not make sense to have weights as high as they are in this proposal. FDIC's current weights for banks are 20% across the board for all investment, where NCUA has weights between 20% - 200% based on their maturity time frame. We feel these weights should be lowered to 20%, which matches what FDIC has in place for all time frames, since the investments made by credit unions are not riskier than those made by a bank regulated by FDIC. SAC Federal Credit Union has a relationship with the Federal Home Loan Bank of Topeka with their MPF program, which is described in the Lending Section, which requires us to hold stock based on our activity with FHLB. The stock does not have a maturity date and is classified with a life greater than 10 years, which is the 200% weight. This investment pays dividends quarterly based on the well-being of FHLB-Topeka and the current rate environment.

Additionally, we are opposed to the weights assigned to the PIC/Perpetual Capital. In 2011, SAC chose to recapitalize our corporate credit union and paid more than \$1.3 million of PCC. We do not have the ability to recall this investment from our corporate credit union, and believe should have the weight lowered to 50% - 100%. We do not feel it makes sense that SAC has to count this capital for double its value for computing our risk based capital percentage, and our decision to recapitalize a corporate credit union may have been different three years ago if we knew this type of investment would be weighted this heavily.

Lending

SAC does not see the value in having the non-delinquent First and Other Real Estate Loans broken up into different weights based on a percentage of our portfolio. We believe these weights should be the same for the entire portfolio. We believe first mortgages should have a 50% weight for all accounts. We also would like the Other Mortgages to not be tiered and have a weight of 75%. We do not believe there is more risk in holding a larger portion of these assets on our books, with the exception of interest rate risk. SAC borrows against these portfolios to mitigate our interest rate risk of these longer termed loans, which this proposal does not take into consideration when evaluating our risk based capital percentage.

Additionally, SAC would like to see the Mortgage Servicing Rights lowered to 100%. The current weight is 250%, which seems extremely high for our conservative underwriting and lack of losses on mortgages. By having such a high rate on this category, SAC Federal Credit Union may not be able to sell and service as many first mortgages to the Federal Home Loan Bank of Topeka through their Mortgage Partnership Finance (MPF) Program. SAC sells these mortgages to the FHLB-Topeka to reduce our interest rate risk and to have the ability to offer more mortgages to our members.

SAC would like to see MBLs have a flat 75% for all balances and not have a tiered structure. SAC Federal Credit Union has consistently underwritten these loans conservatively, and we have not suffered any losses from our business loan portfolio since 2004. Credit unions today are not able to exceed the lower of 12.25% of total assets, or 1.75% of total capital for MBL's, unless given a waiver by NCUA. Due to these restrictions on MBLs, SAC does not believe there should not be tiers for these types of loans.

We also would like to see the Non-delinquent Other Loans lowered to 50%, since these loans are shorter termed, mostly collateralized, and have a relatively low delinquency and charge off percentage for our credit union.

Other Assets

SAC would like to see Other Assets be broken down to separate Land and Building as a new category. Land and Building make up a large percentage of our Other Assets since we currently have 22 branches and corporate headquarters, and do not feel it's justifiable to give these assets a 100% weight due to land and building having low risk of depreciating or losing value. We would like this category of Fixed Assets to have a 50% weight.

Off Balance Sheet Commitments

All of our Business Commitments are for lines of credit to our business members that have been approved by our business lending committee and are reviewed annually. These commitments are all secured by collateral and personally by the business owners, and may not ever be utilized by our members. Since December 31, 2012, SAC has increased our unfunded business commitments from about \$850,000 to more than \$1.4 million, and we feel this weight should be lowered to 20% – 50%, since these have not been funded and most will never be based on our historical trends.

We would also like to see the weight for the Non-Business Loans lowered to 20% - 50% as well. The majority of these commitments are for personal lines of credit and credit cards, which typically is not used by our members. In December 2012, we reported about \$40.8 million in unfunded commitments to our members, and this number has increased to \$41.1 million in March 2014. Having a 75% weight may cause SAC to lower the available credit to our members, which they may have available to them in the case of an emergency.

Summary

SAC Federal Credit Union believes the NCUA is justified to implement a Risk Based Capital requirement on credit unions with more than \$50 million in assets. We feel there are areas for improvement with the proposal that NCUA released in January 2014, which we have outlined in this letter. Here are the highlights of what we believe should be adjusted:

Timeframe to Implement Risk Based Capital Ruling: Should be changed from 18 months to 36 month after the final ruling is made.

NCUSIF Deposit: We do not believe there is any reason to subtract this out of the calculation's numerator. This is 1% of our total shares and is our portion of the NCUSIF insurance fund for our member's deposits. Credit Unions are restricted to grow our capital by only earnings, and believe this item should be removed completely from the calculation.

Investments: We would like to see all investment regular investments have a weight more consistent of those enforced by the FDIC of 20%, and changing the PCC capital requirement from 200% down to 50% - 100% range.

Lending: We would like the First Mortgage weights to be changed to 50% and removing the tiers, Other Mortgages to be given a 75% weight and removing the tiers, and the Mortgage Servicing Rights to be lowered from 250% to 100%.

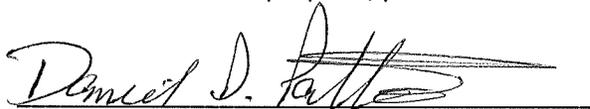
We feel Member Business Loans should not have tiers like the First and Other Mortgages, and believe a weight of 75% for all MBL's is more justified due to our conservative underwriting and no losses to SAC Federal Credit Union in the last ten years.

We would like Non-delinquent Other Loans lowered to 50% from 75% to match our historical delinquency/charge off ratios.

Other Assets: We would like Fixed Assets to be broken out into a separate category. We believe Land and Buildings for our branch locations should be given a 50% weight, rather than 100% for All Other Assets.

Off Balance Sheet Commitments: Since both Business and Non-Business commitments are not added to our balance sheet, and historically are not ever added to our books as loans. We believe the weight for these commitments should be lowered to 20% - 50% for both types of off-balance sheet commitments.

Thank you for the opportunity to comment on NCUA's proposed Risk Based Capital ruling and for considering SAC Federal Credit Union's beliefs and opinions on this issue. If you have any questions or comments on our proposal, please feel free to contact me directly.

A handwritten signature in black ink, appearing to read "Daniel D. Paterson", written over a horizontal line.

Dan Paterson
Vice President – Finance
SAC Federal Credit Union