

# RIVER CITY

FEDERAL CREDIT UNION

May 15, 2014

Mr. Gerard Poliquin  
Secretary to the Board, National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

Dear Mr. Poliquin,

I write to you today to express my concerns regarding the Administration's proposed risk-based capital rule. Even though I support NCUA's position of updating capital requirements to align more closely with banking industry standards, I am concerned with the impact this will have on serving our membership as we structure our balance sheet to maintain our capitalized position.

First of all, the cap on Allowance for Loan and Lease Losses should be eliminated. The proposed cap is 1.25% of risk assets. The Allowance account represents capital retained and available to meet loan losses and should appropriately be accounted for at full value in the calculation. To place any restrictions other than the full amount of ALLL contradicts the stated goal of the proposal, which is to "achieve a measure that reflects a more accurate amount of equity and reserves available to cover losses."

Second, how the proposal accounts for the NCUSIF deposit also contradicts the "achieve an accurate measure" position. In the proposal, the deposit is deducted from the calculations. However, the NCUSIF deposit is a reserve that serves to protect the NCUSIF from potential losses. As such, since it serves no other purpose but to protect the fund in the same fashion as the institution's net worth, it should be treated as such by being included in the calculation.

Lastly, I am extremely concerned with the subjectivity given to examiners in determining a credit union as being "too risky" and requiring additional capital. The variations of subjectivity by individual examiners may result into miscalculated over-capitalization among similarly structured institutions, decreased standardization among institutions, and dilute the comparability between peers. From a forward looking and compliance standpoint, it is vital for credit unions to clearly understand what their capital and net worth expectations are, and if the proposed risk-based ratio is effectively implemented, there would be no additional requirements for subjectivity.

I appreciate you allowing comments on this issue and considering my point of view. Please feel free to contact me if you have any questions.

Respectfully,



Michael V. Quintanilla, Vice President – Finance/CFO  
River City Federal Credit Union