



May 21, 2014

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

Sent via E-mail to: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

Re: Southwest Financial Federal Credit Union's Comments on Proposed Rule: PCA – Risk-Based Capital

Dear Mr. Poliquin:

This letter represents the views of Southwest Financial Federal Credit Union regarding the NCUA's proposal on PCA – Risk-Based Capital. We are based in Dallas, Texas and serve Kroger associates and their family members; approximately 10,500 members. I appreciate the opportunity to comment on this very important issue.

***Definition of "Complex" Credit Union (Sec. 702.103)***

Southwest Financial Federal Credit Union opposes the proposed definition of "complex" credit union.

The proposal would define a "complex" credit union as ANY credit union with over \$50 million in assets. There is nothing magical about \$50 million in assets; size alone does not make a credit union complex. NCUA has provided no justification for expanding the definition of complex credit union.

Under the current rule, a credit union needs to be over \$50 million AND have a risk based net worth over 6%. It seems unreasonable to change the definition based on asset size alone.

***Regulatory Burden ("Paperwork Reduction Act")***

Small credit unions simply cannot continue to survive under current regulatory burdens. This proposal is one more example of unnecessary regulatory burdens impeding the ability of small credit unions to serve their members. Although many small credit unions will not be classified as "complex" and subject to the RBC requirements, the small credit unions are indeed still impacted by the proposal.

As drafted, the proposal increases the regulatory burdens of all credit unions, even those under \$50 million in assets. This is attested to by NCUA in the "Paperwork Reduction Act" portion of the proposal

which estimates the time burden for each credit union (not just complex credit unions) to collect risk-based capital ratio data at:

- One-time recordkeeping, 122 hours;
- On-going recordkeeping, 20 hours; and
- One-time policy review and revision, 20 hours.

That equates to over 160 hours of work (or one full month!) for a small credit union that might only have a couple of employees. Does NCUA really think it is reasonable that a small credit union should spend a month of the year on this rather than serving its members?

### ***Extend Compliance Date***

Credit unions need additional time to comply beyond the proposed 18 months. The current proposal doesn't allow enough time for compliance. Additionally, Basel III allows banks until 2019 to comply. Credit unions should receive a comparable compliance period.

Submission of the call report will also be significantly slower, more costly, and more complicated due to the amount of new information to be provided. Gathering such information will require changes by data processors, additional staff time, staff training, etc.—all of which will cost credit union money and decrease the time and resources we provide back to our members. NCUA estimates the rule will create an additional 162 hours annually for CUs of less than \$50 million. That's three to four weeks of work for a full-time employee, provided that NCUA has not underestimated the work involved. Please note that most small credit unions only have a limited staff.

Again, thank you for your time and the opportunity to comment on this proposed rule.

Sincerely,

Melanie Kennedy  
President/CEO  
Southwest Financial Federal Credit Union  
\$47 million in assets