First Financial
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May 23, 2014

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

Via Email: regcomments@ncua.gov

RE: PROPOSED AMENDMENTS TO 12 CFR PARTS 700,701,702,703,713,723, AND 747

Dear Mr. Pollquin:

On behalf of our 19,291 members, the Board of Directors, management and staff of First Financial Federal Credit Union, would like to take this opportunity to comment on the proposed amendments to 12 CFR PARTS 700,701,702,703,713,723, and 747 of the proposed Risk-Based Capital.

Credit union charter is a unique charter and is completely different in its foundation when compared to banks and thrifts. The majority of credit unions including First Financial do not have the authority to raise offensive or defensive capital. Therefore, this is an erroneous basic assumption to start a process of developing an RBC that is a derivative from the Basel III RBC for-profit banking model. Credit unions cannot offset certain risk factors within their loan or investment portfolio by raising defensive capital. By implementing the current proposed RBC, credit unions have only one choice, which is to restructure the balance sheet and limit what they provide to their owner members and gradually become irrelevant. The future requires credit unions to be more relevant, not less.

If we ignore the above fundamental difference and focus on the credit union proposed RBC and the banking RBC, we will observe from the following comparison table that the Bank RBC is more favorable and progressive than the CU RBC.

Bank RBC	Credit Union RBC
Risk weight investments on obligors Investments in GSE bullets and MBS uses 20% risk weight	Risk weight on investment weighted average life 20% RW for investment with WALs of 1 year or less. 50% RW for WALs > 1 year and < = 3 years 75% RW for WALs > 3 years and <= 10 years 150% RW for WALs > 5 years and <= 5 years 200% RW for WALs > 10 years

<table>
<tr><td>Federal Reserve Bank deposits at 0%</td><td>Federal Reserve Bank deposits at 20%</td></tr>
<tr><td>No risk weight on Real Estate and Business Loans based on concentration. Bank RBC does not consider concentration.

100% risk weight on commercial loans

50% risk weight on first mortgages

100% risk weight on second lien mortgages</td><td>Risk weight on Real Estate and Member Business Loans increases with concentrations.

<table>
<tr><td>MBLS</td><td></td><td>1st Mortgage</td><td></td><td>2nd Mortgage</td><td></td></tr>
<tr><td>%Total Assets</td><td>Risk Weight</td><td>%Total Assets</td><td>Risk Weight</td><td>%Total Assets</td><td>Risk Weight</td></tr>
<tr><td><=15%</td><td>100%</td><td><=25%</td><td>50%</td><td><=10%</td><td>100%</td></tr>
<tr><td>>15& <=25%</td><td>150%</td><td>>25% & <=35%</td><td>75%</td><td>>10 & <= 20%</td><td>125%</td></tr>
<tr><td>>25%</td><td>200%</td><td>>35%</td><td>100%</td><td>>20%</td><td>150%</td></tr>
</table></td></tr>
<tr><td>Risk weight on Equity Investments “CUSO” is at 100%</td><td>Risk weight on CUSO is at 250%</td></tr>
<tr><td>Unused MBL Commitments: 20% Credit Conversion Factor and 100% risk weight</td><td>Unused MBL Commitments: 75% Credit Conversion Factor and 100% risk weight</td></tr>
<tr><td>Unused Credit Cards Commitments: 0% Credit Conversion Factor and 100% risk weight</td><td>Unused Credit Cards Commitments: 10% Credit Conversion Factor and 75% risk weight</td></tr>
<tr><td>PCA Capital requirement phasing in from 2016 to 2019, even though banks have the ability to raise capital to manage excessive risks on the balance sheet.</td><td>PCA Capital requirement phasing in 18 months, even though credit unions do not have the ability to raise capital to manage excessive risk on the balance sheet.</td></tr>
<tr><td>Well capitalized: Tier 1 Risk-based Capital ratio is 8% and Tier 1 Leverage ratio (Net Worth) is 5%. By 2019 RBC ratio goes to 10.5% but Tier 1 Leverage ratio remains at 5%. The current Tier 1 Leverage ratio (Net Worth) is 3%.</td><td>Well capitalized: Tier 1 Risk-based Capital ratio is 10.5% and Tier 1 Leverage ratio (Net Worth Ratio) is 7%. The current Tier 1 Leverage ratio (Net Worth Ratio) is 7%.</td></tr>
<tr><td>FDIC Deposit is expensed and accounted for accordingly.</td><td>NCUSIF Deposit is expensed, yet it is accounted for as a capitalized item. Is the proposal altering the accounting treatment of the NCUSIF Deposit? Is NCUA going to issue accounting advice to clarify the treatment accounting of the NCUSIF Deposit?</td></tr>
</table>

It is important for credit unions to have appropriate levels of capital to cover the risks credit unions pose on the share insurance fund. However, mandating excessive and unnecessary capital reserves will result in decline in member services, net income opportunities and growth of credit unions. We, as credit union leaders, should preserve and grow what Pierre Jay, Edward Filene and Roy Bergengren implemented - not dismantle it.

Thank you for the opportunity to comment on this proposed rule and for considering our input on the proposed risk based capital requirements.

Sincerely,

Issa Stephan

Issa E. Stephan, CCUE, CUERME

President & CEO