Florida Department of Transportation

CREDIT UNION

May 23, 2014

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

Re: Risk Based Capital Proposal

Dear Mr. Poliquin:

I am writing on behalf of the Florida Department of Transportation Credit Union. We serve approximately 4,000 members and have $46 million in assets. Even though our Credit Union currently does not fall into the parameters of the Risk Based Capital Proposal we are so close to the $50 million threshold that we know that in the near future we will. We have many concerns and we appreciate the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action – Risk Based Capital.

The need for Credit Unions to be strong financially has our full support. Our concern is that this proposed rule could severely limit the ability of small Credit Unions like us to compete in the marketplace. How do we grow, increase products and services to our members, and help our local communities prosper with such strict capital restrictions.

In fact, we believe the proposal could actually serve to weaken our Credit Union and the Credit Union industry as a whole. By proposing more stringent risk-based capital requirements then the banking system (Basel III) our ability to compete in the future will be greatly hindered. Banks already have the advantage over Credit Unions on their ability to raise capital. If this risk based capital regulation goes into effect for Credit Unions as proposed you can expect market share for Credit Unions to decrease. That paints a dismal picture for small chartered Credit Unions like us who want to grow in the market place. Our limited field of membership is enough of a disadvantage.

The following charts illustrates Basel III requirements compared to the NCUA Risk Based Capital Proposal.

Loans		
	Small Bank Basel Risk Weights	**NCUA RBC Proposed Rule Risk Weights**
Residential Mortgage Loans	50% (regardless of concentration)	50% (0% - 25% of assets) 75% (25% - 35% of assets) 100% (35% and above of assets)
Small Business Loans	100% (regardless of concentration)	100% (0% - 15% of assets) 150% (15% - 25% of assets) 200% (25% and above of assets)

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Investments		
	Small Bank Basel Risk Weights	**NCUA RBC Proposed Rule Risk Weights**
WAL >1 year	20%	20%
WAL 1-3 years	20%	50%
WAL 3-5 years	20%	75%
WAL 5-10 years	20%	150%
WAL >10 years	20%	200%

Our other concerns are:

- The proposed rule allows 18 months for Credit Unions to comply, while the Banks under Basel III have 9 years to comply.
- The proposed rule states that the NCUA would have authority to impose additional capital on a case by case basis. The capital requirements are already too stringent, so why would additional capital requirements be necessary on a case by case basis?
- Why is there a need for this proposal now? We have just gone through a severe recession and natural person Credit Union losses by NCUA were minimal, so it seems that the current PCA capital system served us well.

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

Sincerely,

Kevin Keith
President / CEO

CC Bill Nelson, U.S. Senator
Marco Rubio, U.S. Senator
Steve Southerland, II, U.S. Representative
LSCU