SEVEN SEVENTEEN credit union
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May 27, 2014

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

Dear Mr. Poliquin:

Thank you for the opportunity to comment on the NCUA Board's Risk –Based Capital proposal. Seven Seventeen Credit Union is an 805 million dollar credit union (as measured by assets) and has 66,700 members. Our capital ratio (as of December 31, 2013) was 11.58%

I intend to keep my comments brief and my statements in the general sense; however, please feel free to contact me in the event you would like any detailed information. All of the information that I have seen has as its source the NCUA, CUNA, Callahan & Associates, FIMAC and Seven Seventeen Credit Union.

I have seen numerous examples of the NCUA proposed risk rating requirements being much more restrictive than those coming out of Basel III. This being the case, banks will be given a competitive advantage over credit unions even though by most indicators, credit unions have performed better. Credit unions will be "encouraged" to hold lower, risk-weighted assets though that might not be advantageous to the particular credit union. I believe credit unions have been successful because of their focus on the member. This proposal would put too much of a focus on the NCUA requirements and the member and membership would suffer. There would be less focus on branching, ATMs, mobile banking, new technologies and the list could go on. Having reduced capital available will hamper credit union growth.

I must mention the financial crisis that began in 2008 and still lingers in our economy to this day. Credit unions came out of this crisis with much less damage than banks. FDIC losses were $2.30 per $1,000 of deposits while credit union losses were $0.26 per $1,000 of deposits. It seems illogical to put greater risk weights in the credit union regulation than is found in banking regulation. Please use Basel III as your guide.

I will make only one comment on loan risk weighting and investment risk weighting (but many other examples could be made). In my example, a 30-year, fixed-rate real estate loan (first mortgage loan) is given a risk weighting of 50% versus a government 30-year, agency, investment-risk weighting of 150%. This does not appear to be logical. Please give the weighting additional thought.

Other issues include: The ALLL and 1.25% cap; goodwill and the effect on mergers; risk weightings on government obligations different for FNMA and FHLMC; basing risk weights for investments on WAL (only?); little consideration of the liquidity issue; treatment of the NCUSIF deposit; examiner subjectivity and little or no consideration given to ALM strategies.

Under the proposal, SSCU would see a loss in its capital "cushion" of over 8 million dollars. This would have a negative effect on our planning for the future. The membership would suffer and the agency would suffer. I hope that in the re-evaluation process the agency does make significant changes to the proposal.

Thanks again for the opportunity to add my voice to those asking for significant changes.

Sincerely,

Jerry McGee
Executive Vice President & Chief Financial Officer