



May 27, 2014

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

Re. Comment to Proposed Prompt Corrective Action: Risk Based Capital Rule  
RIN 3133-AD77

Dear Mr. Poliquin:

I am writing on behalf of CitizensFirst Credit Union, which serves fifteen counties in Wisconsin. We have over 47,000 Members and over \$600 Million in assets. CitizensFirst Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

The greatest area of concern for CitizensFirst Credit Union is the ability of the NCUA to place higher capital requirements on individual credit unions, on a case-by-case basis. This places a great deal of authority in the hands of examiners and the proposed rule does not provide any real, objective standards for making such a determination or exercising that authority. We are concerned as to how this will be interpreted by individual examiners, since it will be based on the examiners' interpretations of our capital plan, concentration risk, and stress test policies. Different examiners often disagree with one another and from year to year, making it unlikely that this authority can be exercised in a consistent way across the credit union industry. The possibility of inconsistent and disparate treatment of various credit unions creates the appearance that such subjective determinations may be arbitrary and capricious. In addition, this authority creates a great deal of uncertainty from year to year, making it difficult to plan and implement long-term strategies. Finally in this regard, should the NCUA proceed in this manner, a practical, efficient, and meaningful appeals process must be implemented to address the concerns that we have outlined above.

In addition, we do not believe that the NCUA has demonstrated that increased capital requirements for credit unions are necessary. The credit union industry has weathered the worst financial crisis in decades remarkably well. This is due to the way that credit unions have historically done business. Credit unions, by their nature, tend to be fairly conservative and driven by being good stewards of members' money. This leads to generally conservative lending practices and less risky asset portfolios than is typical in profit-driven financial institutions. As a

result, the proposed rule seems like a fairly draconian solution to a problem that does not truly exist.

As a complex credit union with over \$50 Million in assets, the proposed rule requires a minimum capital ratio of 10.5% for us to be well capitalized, up from the current level of 7%. This is a 50% increase in required capital, which is quite large and not warranted by our credit union's experience. These increased capital requirements, together with the possibility of further, subjectively-applied additional capital requirements, will make it more difficult for even well run credit unions to maintain a well-capitalized status. This is especially problematic for credit unions, which cannot raise capital except through retained earnings. Finally, these requirements would make it more difficult for credit unions with diversified portfolios to grow strategically and maintain a status as well-capitalized.

Though we are not completely opposed to capital requirements that take into account the risk level of the assets of the credit union, we believe that this regulation should provide reasonable risk weightings of assets, clearly and objectively define the required capital levels, not allow for varying interpretations by individual examiners, and be implemented and enforced consistently across the industry.

Last, should the NCUA proceed with this proposed rule in its current or a similar form, a much longer timeline for implementation would be in order. This would allow credit unions to rebalance portfolios and implement new, long-term strategies that will allow them to be successful under the new regime.

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

Sincerely,



Kevin J. Ralofsky  
President and CEO  
CitizensFirst Credit Union