From:	Linda McFadden
To:	_Regulatory Comments
Cc:	Nicola Foggie
Subject:	Prompt Corrective Action, Risk-Based Capital
Date:	Monday, May 26, 2014 4:59:24 PM

May 26, 2014

Dear Gerard Poliquin, Secretary of the Board,

This letter will address XCEL Federal Credit Union's viewpoint and concerns regarding the Risk Based Capital Proposed Rule.

XCEL FCU and the credit union industry remains a strong and viable in the aftermath of the recession. Even with the loss of some corporate credit unions, natural person credit unions took up the charge and relieved the stress that such economic times caused. With this information in mind, XCEL feels that this new proposal is not necessary and the NCUA has not adequately justified the need for this rule/change. Credit unions continue to be stronger, more self-reliant than other banking entities. So, why are we trying to fix/adjust what isn't broken.

Capital requirements should not be a substitute for proper credit union management or appropriate examinations. The proposal, as it is written, would negatively impact XCEL Federal Credit Union, taking us from a well-capitalized credit union to adequately-capitalized. Now is not the time to restrict credit union growth, which is the result, if this proposal goes forward. This proposal will restrict XCEL from implementing products and programs which are needed to compete in the financial industry. Reducing assets and cutting expenses to gain capital is not the solution for safety and soundness of the insurance fund. Running a fundamentally sound financial institution, while giving our members the best products and services and, the latest technology, is!

The proposed rule will force XCEL's board and management only to think of gathering more capital to protect the insurance fund instead of why we are in business to begin with. XCEL has had steady balanced growth with good solid returns over the past few years but to achieve the new capital requirements we would to change our business model from being a credit union for our members to a focus on profitability. We might as well become a bank. XCEL did our part for the corporate bailout so why does NCUA think it is necessary to make these restrictions. Why should we cut service to our members because the insurance fund, which weathered the economic stress of the recession, wants even more protection?

XCEL is all for safety and soundness but since the recession; NCUA has put additional restrictions on all credit unions with concentration limits and restrictions. XCEL gladly complied and developed a sound concentration risk policy and set limits on our already diversified loan and investment portfolio. This exercise only proved that our credit union was already well managing this portion of the business.

With the proposed regulation XCEL would need to curtail participation lending. Participation loans help to mitigate risk and ensures steady loan growth during non-peak member lending season. If the underwriting criteria are as or, in some cases even more conservative, why should we have to reserve more than is necessary just because it is participated out with other credit unions also regulated by NCUA.

If NCUA continues with this proposal, we would hope that for the industry's sake, the impact of the risk weights is well thought out before requiring any implementation. As an example, the proposed rule assigns rigid risk-weights to many federally backed investments that when properly examined represent much less risk with less return. This is taking caution to the extreme. Credit unions need to have someplace to put excess cash other than a liquid overnight account with little or no return for the investment. We could address many more of the individual risk weights but I feel the main point to make is as presented they are not in the best interest of the credit union industry and our members.

Last but not least is removing the 1% NCUSIF capital deposits out of the calculation. This is just wrong! Taking those funds out of the calculation will put undue pressure on many credit unions unjustifiably.

Sincerely,

Linda McFadden, President / CEO

XCEL Federal Credit Union

1460 Broad St.

Bloomfield, NJ 07003

Linda McFadden
XCEL Federal Credit Union
President / CEO
T: 800-284-8663 x3024
D: 201-499-1653
F: 201-714-5736
LindaMcFadden@XCELfcu.org
www.XCELfcu.org