Robins Federal
CREDIT UNION

May 27, 2014

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

RE: Comments on Proposed Rule: PCA - Risk-Based Capital

Dear Mr. Poliquin,

I am writing on behalf of Robins Federal Credit Union, which serves 16 counties in the middle Georgia area. We currently have 155,000 members and $1.9 billion in assets. Robins Federal Credit Union appreciates the opportunity to provide comments on the National Credit Union Administration's (NCUA) proposal regarding risk-based capital requirements.

Robins Federal Credit Union supports NCUA's authority to ensure the safety and soundness of credit unions and the credit union system. We appreciate NCUA creating a draft proposal so credit unions could engage in productive dialogue, but we do question the need for this proposal since current Prompt Corrective Action (PCA) provisions allow for risk based net worth calculations.

While Robins Federal Credit Union supports additional capital for credit unions with riskier balance sheets, we do have concerns about the adverse impact the Risk-Based Capital proposal could have on credit unions that do not have riskier balance sheets. Additionally, we have concerns about the new risk weightings of certain credit union activities, as well as the proposed effective date for implementing any changes.

Financial institutions by nature assume some level of risk and must create tailored value propositions for their members, especially for those consumers of modest means and small businesses. NCUA must be careful not to create conditions for excessive risk avoidance, thus limiting consumer's financial choices. This proposal, as drafted, will likely impact future services and lending products offered by credit unions. The risk weightings and additional capital requirements in this proposal will not serve to increase the protection to the credit union system but instead may restrict growth and impact member services.

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Robins Federal Credit Union is concerned about the risk weighting categories as proposed. Due to the lack of justification in the proposal, the risk weights appear to be excessive and arbitrary. Many of the risk weights do not accurately reflect risk and the weightings do not account for the individual management strength of credit unions with a history of proven success. The proposal appears to reward credit unions that stick to basic consumer lending. The risk weightings associated with member business loans could undermine efforts to provide opportunities for small businesses to access credit, thus restricting small business growth. For some risk categories, the weighting is the same for all loans or investments in that area, thus leading to the assumption that categories are over generalized. For example, secured loans carry less risk and should be assigned a lower risk than unsecured loans. Additionally, the proposed risk weights for long-term investments discourages long term assets and does not take into account applicable credit or asset liability management practices. In many areas, the risk weighting is more punitive than that for community banks or under BASEL III standards.

Under the proposal, NCUA has the authority on a case-by-case basis to increase the amount of capital a credit union is required to maintain. That is being interpreted that even if a credit union is in compliance with the rules, NCUA could require more capital. This authority is troubling, especially considering how the credit union system weathered the financial crisis. Robins Federal Credit Union believes that NCUA already has tools to help manage credit union safety and soundness concerns through DOR and Cease and Desist enforcement and this additional power is not needed. If additional tools are necessary, they should not allow for arbitrary interpretations.

The 18-month implementation timetable stands in stark contrast to the 9 year implementation plan afforded banks to comply with Basel III. Proposed risk-based capital requirements are a significant departure from existing practice. The implications are not easy to project into a credit union's future and credit unions need time to contemplate how RBC rules would affect their operations in the future. Credit unions do not have the same ability as other financial institutions to raise capital, thus some credit unions may be faced with the challenge of reducing certain products, increasing interest rates, and/or reducing dividends in order to quickly achieve the new capital requirements. Circumstances do not appear to warrant rapid embracement of an RBC proposal for credit unions

In summary, credit unions have committed to their continued success and sustainability and have invested significant resources to establish strategic directions. Changes to the current prompt corrective action requirements would require credit unions to spend additional time and resources to adjust their strategic plans. Robins Federal Credit Union encourages NCUA to reconsider the proposed rule to account for the responsible management of credit unions to assess risks based on their individual situation.

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Robins Federal Credit Union asks that the NCUA consider the needs of Georgia communities and the important role the credit union system plays in our state when evaluating risk-based capital regulations. Thank you for your consideration. If you have questions about our comments, please contact me at 478.923.3773.

Respectfully submitted,

Christina O'Brien

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VP, Risk Management

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