



May 20, 2014

Mr. Gerard Poliquin
Secretary to the NCUA Board
1775 Duke Street
Alexandria, VA 22314

Dear Mr. Poliquin:

On behalf of the Board of Directors of River City Federal Credit Union in San Antonio, Texas, we would like to offer the following comments regarding the NCUA proposed Risk Based Capital rule. While our credit union recognizes the intent of this initiative, we have serious concerns about the proposed Risk Based Capital rule and feel we must express our concerns to the NCUA Board.

The proposed NCUA rule allows the regulator and NCUA Examiners to increase the amount of capital a credit union is required to maintain, outside of the Net Worth ratio requirement and the proposed RBC ratio requirement. We feel that this level of authority on a case-by-case basis is not justified. We are concerned that this authority may give rise to subjective determinations and it leaves credit union Boards with uncertainty regarding what constitutes a well-capitalized credit union.

Next, we do not agree with the risk weighting system under the proposed rule and how the risk weights were developed. It appears that all like-categories of assets considered higher risk are weighted the same, regardless of asset earning performance and the level of historical loss on that asset category – a “template” or “formula” approach. Our Directors feel that this type of approach will adversely impact River City FCU members by limiting our credit union’s product and service offerings. When considering future offerings, the type of risk weight will play a factor in whether or not our Board will approve such offering, regardless of what member value that product or service offering may bring. If the risk weighted system is adopted as proposed, then there should be a reward to those credit unions which operate their “riskier” programs with low loss ratios, and in the current proposed rule there is no such reward factor.

Another concern is the fact that the current 7% PCA net worth standard will still be required by law, but with the proposed new rule in place, an additional PCA standard is implemented for credit unions. Which standard is most important? This issue adds confusion to the Board’s oversight in insuring the credit union is safe and sound and adequately capitalized.

Finally, the 18 month proposed time line for implementation is too short. The management team at River City FCU has indicated it will take longer to put processes in place to manage this change. Time is needed to revise policies, perfect recordkeeping, develop reporting, and incorporate the new requirements into strategic plan objectives. A more manageable time line for implementation is 36 months.

In closing, we appreciate your willingness to allow River City Federal Credit Union to comment on this important proposed rule. We respectfully and strongly ask you to consider our concerns outlined above, and to consider possible changes that would alleviate these concerns. The strength, safety, soundness and long term viability of the credit union industry will be impacted by the capital structure under which we operate in the future. It is imperative that any changes to the credit union capital system be appropriate to the risk, and balanced with the ability to effectively manage that risk.

Sincerely,



Glen Glass, Chair
River City Federal Credit Union



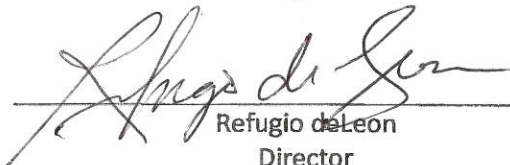
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