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May 23, 2014

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

Re: NCUA's Proposed Risk-Based Capital Rule

Good day, Mr. Poliquin.

I am writing to comment briefly on NCUA's proposed rule regarding risk-based capital. Our credit union's questions are many and our reservations are serious. Please do not mistake our brevity for lack of conviction or concern.

Freedom owns a basic balance sheet. At \$52 million in assets, the proposed rule would arbitrarily classify us as complex and subject us to the new rule. Complexity is not solely a function of asset size ... but, rather, is more related to balance sheet composition and operational intricacy. Freedom is not complex and should not be classified as such for regulatory expediency. The proposed rule's definition of a complex credit union should be refined.

Freedom is a well capitalized credit union. Under the proposed rule, we would remain well capitalized ... but less so from a regulatory perspective. The nature of our business model is evolving and we are attempting to adjust our operations in order to support profitability. We can ill afford the arbitrary drop in our capital ratio (and the potential implications thereof) that would result under the proposed rule. The rule's assigned asset risk weights are puzzling to say the least and NCUA has chosen not to substantiate its calculation methodology. NCUA should disclose and support its rationale. The rule's risk weights should be reevaluated so as to better incorporate historical credit union data and performance.

In extreme circumstances, NCUA should have the ability to increase capital requirements for dangerously risky credit unions. However, this authority should be exercised with an abundance of caution, should be objectively and technically supported ... but should certainly NOT rest at the examiner level. Use of this tool should be initiated at least at the Regional level and should proceed with appeal options up to the NCUA Board.

While we have other concerns with the proposed rule ... a stunningly short 18-month compliance period and dismissal of our NCUSIF deposit in RBC calculations foremost among them ... the above represents our most significant objections.

Respectfully,

FREEDOM FEDERAL CREDIT UNION

Jeffery R. Jones
President / CEO