Teachers Federal
TFCU
Credit Union
Since 1952
The Educated Choice

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Robert G. Allen
President/CEO

May 27, 2014

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

Dear Mr. Poliquin,

Teachers Federal Credit Union is "Well Capitalized," by NCUA's proposed definition. We are a $4.9 billion credit union serving 235,000 members in Suffolk & Nassau counties of New York. We would like to thank you for the opportunity to comment on this important proposed rule.

We agree with the NCUA that there is value in adopting a risk-based approach to the amount of capital held at a federally insured financial institution. The Credit Union industry is not homogenous when it comes to the level of risk that individual credit unions maintain on their balance sheet. The current, one size fits all, capital requirement is insufficient to prevent or minimize future losses to the NCUSIF. While we applaud NCUA for taking this step, we do have some concerns with the proposed rule.

Concerns:

1. We question whether the risk weighting proposed actually matches real risk in the system. The proposed rule assigns rigid risk weightings to many assets that when examined may represent much less risk than the assigned weights. NCUA has not explained or shown evidence that supports the proposed risk weightings. In order to work more cooperatively, it would be beneficial for NCUA to provide an evidence based proposal that incorporates the underlying analysis, including any historical data used, on how the risk weight categories were assigned. Until this is disclosed, it will be hard for the industry to accept these arbitrary risk weightings.

2. TFCU is opposed to the proposed rule's allowance for imposing additional capital requirements on a case-by-case basis determined by an individual examiner. We object to the notion that a well or adequately capitalized credit union might fall subject to additional capital requirements, regardless of the ability maintain such a classification, because an individual NCUA examiner may have a different opinion on a credit union's decision to have

certain concentrations in assets or investments. The proposed rule as written has several flaws that, we believe, needs to be addressed in more detail. Our concerns are:

- This authority will be vested in an individual examiner,
- No one else in a position of authority will be required to approve or disapprove the decision of the individual examiner,
- There is no appeals process stated in the proposed rule,

3. The proposed implementation period of 18 months is insufficient. Many credit unions have strategic plans for three, four, or five years in to the future based on current regulations. Although a credit union may initially remain well capitalized under the proposed rule, many credit unions' capital buffers will be significantly reduced causing them to make strategic decisions affecting growth and capital rebuilding. Since capital can only be increased by net income, NCUA should reconsider the proposed 18 month implementation period in favor of a much longer period to allow credit unions sufficient opportunity to make strategic decisions instead of forcing quick "fire sale" decision making for short-term solutions which in itself could prove to significantly increase risks. We recommend a 36 to 48 month implementation period.

In conclusion, we believe the NCUA needs to be more transparent with the rationale behind the risk-weighting categories. We are opposed to the powers this rule affords to individual examiners with respect to additional capital requirements on a case-by-case basis. Finally, we believe the implementation time period of 18 months reflect the NCUA's desire to appease national media and not respect the operational constraints of natural person credit unions operating in the best interest of their members.

Thank you for the opportunity to express our concerns on this game changing proposed rule.

Very truly yours,

Robert G. Allen

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