SC TELCO
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May 27, 2014

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

Re: Comments on Proposed Rule-Prompt Corrective Action & Risk Based Capital Rule

Dear Mr. Poliquin:

I would like to thank the agency for allowing SC Telco Federal Credit Union the opportunity to comment on this most important proposal. I am the President/CEO of SC Telco Federal Credit Union, a low income credit union with over 45,000 members and $268 million in assets. Our member base is concentrated primarily in five different metropolitan areas of South Carolina.

SC Telco's March 31, 2014 net worth ratio was 11.27% with a risk based capital ratio of 15.93% calculated on the NCUA website. Our credit union has always been well capitalized and anticipates maintaining that position. However, we are troubled that the proposed regulation will require even more capital for SC Telco and all credit unions. We believe that that proposed regulation is inconsistent with the Federal Credit Union act with the new requirements for a credit union to be considered "well capitalized."

In the aftermath of the Great Recession it is prudent to re-evaluate the effectiveness of measuring and mitigating risk in the financial system which was the purpose of the Third Basel Accord. The Federal Reserve adopted substantially all of the Basel III rules for the US banking system in response, not a different approach. Natural person credit unions, as a whole, fared significantly better than banks during the financial crisis yet are facing higher capital requirements. Why would NCUA propose more stringent risk weights than those specified by Basel III for community banks? This arbitrary and unnecessary capital will come from our members. Please help us understand the logic, rationale and specific data that the agency used to determine risk weightings. After thoroughly reviewing the proposed regulation we failed to see those things and respectfully ask that they be disclosed.

We are also concerned by the agency's authority to impose additional capital requirements on credit unions based upon subjective opinion. Even if that authority would require approval by all levels of the agency, the rationale behind it is a direct contradiction to the rest of the proposed regulation in our view.

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Requiring more capital will likely slow credit union asset and loan growth along with lowering risk tolerance, all of which would impact our members, the economy and management of the credit union.

Credit unions need much more time than the proposed eighteen (18) months to implement a change of this magnitude. The time frame does not allow sufficient time for credit unions to respond to the new rule by altering their balance sheet while make adjustments to their income and expense strategies. A multi-year implementation phase-in similar to that of the banking system is warranted.

We do not support the methodology and fear, if passed in its current form, would do irreparable harm to the credit union movement. We can foresee more credit union conversions to mutual savings banks and fewer mergers among the remaining credit unions as a result.

We urge the NCUA to take more time in developing a rule that maintains the safety and soundness of credit unions without diminishing our competitive position and ability to serve our members.

Sincerely,

Steve Harkins

Steve Harkins
President/CEO