May 28, 2014

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

Re: Risk Based Capital Proposal

Dear Mr. Poliquin:

We are SunState Federal Credit Union located in North Central Florida serving five “low” income counties with over 28,000 in membership, over $300 million in assets and a Low-Income Designated credit union. I appreciate the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action – Risk Based Capital (RBC).

I will briefly spell out some of my concerns to the new RBC proposal:

- As a whole, credit unions are already highly regulated and face many restrictions.

- Under the proposed risk-based capital calculation we would stand at 14.92% but if our numerator increased $9.6M, we would be below the minimum of 10.50%. We feel that the proposed rule change enforces regulatory burden, prohibits flexibility and risk based decision making. The bottom line here is that your weights don’t make sense and are excessive based on credit union historical losses, especially on first mortgage and business loans. As a growing credit union, we would consider merger opportunities but your treatment of goodwill in the calculation is not in the best interest of the credit union.

- The proposal will put additional strain on the finances and operations of credit unions which will impact the services provided to the credit union membership.

- The proposed 18-month implementation timetable is not long enough for a rule as complex and impactful as this proposed rule. As a credit union, we do not have easy access to supplement forms of capital; therefore raising capital through net income will be a burden on our membership. This will create additional challenges during this economic recovery and in the future may limit our income streams due to this regulation. You may compare this to turning a ship, and it takes time to do so effectively and without recourse on the membership or the credit union industry.

- As a Low-Income Designated credit union, we are seeking to serve consumers and business borrower's mortgage products at the time when banks are only willing to provide those products to the best of the best. The opportunity to provide loans to lower quality paper at reasonable rates will present challenges when being held to this new capital requirement.

- The 1.25% Cap on Allowance for Loan and Lease Losses (ALLL) especially considering the Financial Accounting Standards Board's (FASB) most recent proposal on ALLL. No credit union to my knowledge has ever failed due to interest rate risk but rather credit risk and the ALLL should truly reflect future loan losses.

The NCUA would have authority to impose additional capital on a case by case basis. However, while NCUA has verbally stated that such action would require NCUA Board intervention the proposal as drafted would not preclude examiners from requiring additional capital. In our experience examiners are not consistent and this may cause additional challenges and/or limitations in serving our members. This process needs further development to ensure any institution subject to such imposition would have a clear understanding and established guidelines to the specifics of the additional or need for the increase of capital.

With the exception of consumer loans, the risk weights as proposed do not reflect the fact that historically, the losses for credit unions are lower than those of small banks. In addition, the risk weights of residential mortgage loans and small business loans are more advantageous for small banks than for credit unions.

The proposal's risk weightings on mortgages and business loans would have a negative effect in rural and low-income areas as a number of credit unions in those areas have higher concentrations in agricultural and business lending. They are either exempt from the member business loan cap or they are a low-income designated credit union.

Speaking specifically regarding SunState Federal Credit Union, we are a Low-Income Designated credit union. We are committed to our membership and communities and if this RBC proposal is confirmed as written it will seriously limit our abilities to continue the good work and alter future progress. (Each credit union is unique in many ways, namely membership needs and management - We are here for our members. The proposed rule "is one-size-fits-all and would serve to impact growth, innovation and diversity.)

And finally, what is the need for this change now? Credit unions have survived the worst economic time in our history and yet history shows that we came out far above the banking systems under the current calculation. We don't feel that NCUA has justified this need adequately. Most credit unions are showing positive net income and rebuilding their net worth. Why is such a drastic change really needed? It would be far simpler and achieve similar results by increasing the well capitalized threshold to eight percent.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

Joseph L. Akins
President/CEO

CC Honorable Bill Nelson, U.S. Senator
Honorable Marco Rubio, U.S. Senator
Honorable Ted Yoho, U.S. Representative