From:	John Carlson
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Wednesday, May 28, 2014 11:41:39 AM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Highmark Federal Credit Union, which is a Community Charter Credit Union serving seven counties in Western South Dakota and four counties in Eastern Wyoming. We have 10,000 Members and 97 Million in assets. Highmark Federal Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

Highmark is currently Well Capitalized with a 8.61% Net Worth Ratio. Under the new proposed Risk Based Net Worth guidelines we fall to 10.1% Adequately Capitalized. We compete with many small banks in small business lending and currently we are a Low Income designated Credit Union and aren't restricted by the business lending cap. Management and the Board understands the additional risk associated with business lending and we have the personnel and audits to mitigate that risk. We monitor constantly and feel the proper controls are in place. The NCUA examiners have reviewed our program and have one again given us a Code 1 rating. Highmark's Strategic Business Plan is to operate at around 30% in small business lending loans to our membership. We are currently at 14%. Highmark's chief concern is the competitive disadvantage we have with our community bankers who have available Secondary Capital and don't have a tiered net worth requirement at 15% and 25% under Basel III. The tiered approach for Real Estate, Investments and CUSO's are also a disadvantage and aren't included in Basel III.

Highmark understands the need for a Risk Based Program but a one size fits all is not the way to go. We've spent a lot of money and time to put the Business Lending Program in place and feel we have the monitoring and controls in place that most Credit Unions do not.

The 18 month timeline for compliance is also too short especially considering the time banks were given under Basel III. If Credit Unions had other sources for Secondary Capital it may be different but a growing Credit Union serving the needs of its members (or trying to) can't improve net worth in this timeline.

It is Highmark's position that given our success at surviving the worst financial crisis this country has had a few years ago that this complete restructure at this time is extreme. We understand the need for a Risk Based system but the one size fits all is not the way to go. Highmark will not be able to serve its membership under the new program pure and simple.

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

Sincerely,

John Carlson
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