March 31, 2014

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

RE: Prompt Corrective Action Risk-Based Capital Comment Letter

Dear Mr. Poliquin,

I'm writing on behalf of SeaComm Federal Credit Union. I appreciate the opportunity to provide comments regarding the Prompt Corrective Action Risk-Based Capital proposed rule. SeaComm has over 40,000 Members and $477m in net assets. Though I support risk-based capital, I do have concerns with certain aspects of the current proposal.

First and foremost, it will be the membership of each credit union that will be greatly affected if the current proposal becomes final with no changes. Members will be forced into paying more in fees. And most importantly, they will begin receiving fewer services from their credit unions, forcing them to look elsewhere.

Under the proposed rule, most credit unions will experience some degree of a decrease in their reserves buffer above being well capitalized. Credit Unions will need to continue building reserves in order to be considered or maintain being well capitalized. This will cause credit unions to review business strategies, consider repositioning assets into groups that have a more favorable risk weight, or even discourage growth.

SeaComm is well capitalized today, and would continue to be well capitalized under the proposal. After analyzing reserve ratios, SeaComm will experience a reduction in its reserves buffer becoming closer to the minimum limits of maintaining its well capitalized status. SeaComm is proactive in managing Balance Sheet. Why should well-managed credit unions, like SeaComm, be penalized with higher risk weights that do not accurately portray actual risk of the organization?

For instance, the weights set on "years to maturity" on investments do not make sense. Why penalize a credit union for investing in long term instruments? The assignment of these high risk weights will impact ALCO-related strategies, reducing returns.

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It is also discouraging the risk-weights assigned to mortgage lending and member business loans. This will significantly impact those credit unions that serve their memberships by offering these types of loans. For those credit unions that are looking to offer these services to increase loan growth, they will end up not underwriting due to the risk weight assignments. If a credit union no longer has the capability to offer these loan types, Members will go elsewhere, which in turn will impact the credit union industry as a whole.

When managing risk of a Credit Union, the complete Balance Sheet must be considered. Under the current proposal, there is absolutely no consideration or mention of the liability side of the Balance Sheet.

The transition timeframe of 18-months does not allow sufficient time for credit unions to adjust their Balance Sheets. Credit Unions are being impacted by consistently, frequent regulation changes. For example, the Proposed Accounting Standards Update: Financial Instruments – Credit Losses by FASB. The proposed changes will have an immediate and drastic increase to Credit Union's ALLL account. For instance, there are assumptions that the increase could double or even triple current ALLL accounts.

Lastly, please reconsider the Risk Based Capital calculator being readily available to the public. This has the potential to cause unnecessary reputation risk for a credit union when the public perceives there is something wrong with their credit union because they do not understand the meaning of the information being provided in the calculator.

Sincerely,

Michelle R, Patenaude
Vice President of Accounting

Cc: Scott A Wilson, President & CEO