From:	Steve Higginson
To:	_Regulatory Comments
Subject:	Comments on Proposed Rule: PCA - Risk Based Capital
Date:	Wednesday, May 28, 2014 6:27:31 PM

May 28, 2014

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

RE: Comments on Proposed Rule: PCA – Risk Based Capital

Dear Mr. Poliquin and Members of the Board:

Reliant Federal Credit Union (RFCU) appreciates the opportunity to comment on the NCUA's proposed Prompt Corrective Action Risk-based Capital rule. RFCU operates four branches in central Wyoming, serving over 11,000 members.

Overall RFCU is opposed to the proposed rule in its current format due to the following reasons:

1. We believe the Federal Credit Union Act prevents the agency from prescribing a risk-based capital ratio for well capitalized credit unions like RFCU.
2. We believe the proposed rule will force many credit unions, including our own, to develop greater net income by reducing services to members, increasing loan rates, reducing deposit rates and raising fees paid by members in order to sustain current levels of capital adequacy. This will make us less competitive in the markets where we operate. We believe the need for access to supplemental capital increases significantly with this proposal.
3. We believe there is no historical basis for the proposed risk-based net worth requirements. During the last financial crisis the National Credit Union Share Insurance Fund (NCUSIF) never dropped below 1.23% of

total insured shares, while the banker's fund was essentially insolvent. We believe there is no need to ask all credit unions to reserve an additional $7.6 billion (estimated by Bill Hampel, SVP and Chief Economist at CUNA) to maintain current capital levels.

4. We believe the proposed rule does not adequately comply with regulation that requires NCUA to develop a system of prompt corrective action comparable to that used for other insured depository institutions. Neither Basel III standards nor the FDIC's rule incorporate risks other than credit risk into capital needs standards. Many of NCUA's risk weights increase as the category's percent of assets increases. This is a concentration risk, not a credit risk.
5. We believe that the weighting assigned to CUSO loans and investments will limit credit unions from investing in financially solid and viable CUSO's. This is arbitrary and we believe not sound risk management.
6. We do not believe NCUA Examiners are all qualified to impose higher capital requirements on credit unions on a case by case basis.
7. We believe more time will be needed by credit unions to comply with this rule. We estimate that to maintain our well capitalized level we will need an additional $1.123 million in capital at our current asset level. Achieving this will take more than seven years and will severely impact our service to members.
8. We believe our democratically elected board of directors should be able to declare a dividend and not be restricted by a decision by the NCUA.
9. We don't believe that our reserves held in the NCUSIF should be deducted from the numerator of the calculation.

In summary, we believe that the proposed rule puts RFCU at a distinct competitive disadvantage with other local financial institutions, will decrease our ability to serve members, and does not comply with components of the Federal Credit Union Act. RFCU asks that the rule be set aside and that the Board work with credit unions to develop a stronger plan that will benefit credit unions and credit union members, while preserving the soundness of the NCUSIF.

Sincerely,

Steve Higginson
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