

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

RE: Comments on NCUA Proposed Rule: Risk-Based Capital 2

Dear Mr. Poliquin,

Why is NCUA looking for a solution to a problem that doesn't exist? Credit Unions continue to be a financially sound industry. Trying to write a rule that is similar to a bank rule doesn't make sense. Credit Unions are NOT banks. We don't act like banks and we certainly don't need any "bank-like" rules to further complicate our mission, which is to serve members. Sioux Falls FCU (SFFCU) prides itself on serving our four county community, over 26,000 members, and providing relevant financial services to those we serve. This proposed rule, while improved, will potentially impede our ability to continue to do so.

I propose that NCUA stop wasting everyone's time and eliminate the proposal in its entirety. It is not needed, and although some improvements have been made to the original proposal, it still complicates, contradicts and duplicates. It complicates and contradicts some of the regulations we currently follow, and it duplicates other regulations. In fact, I question whether NCUA even has the authority to make such a rule. This new rule will further impede the ability of credit unions to serve our members in the manner that makes prudent sense to the communities we serve. If NCUA is for credit unions, then eliminating this would be the right thing to do.

While I believe doing the right thing and getting rid of this proposal is highly unlikely, it can certainly be improved. Defining a "complex" credit union simply by an asset number shows a lack of reasoning. I also don't believe you can define "complex" by listing specific products and services. Each of those listed in the proposal can look very different from CU to CU. The entire underwriting of a given product/service can be quite different between CU's, not to mention the economic differences between the communities each CU serves, yet you want to apply them across all CU's. At the very least, the asset number definition should be raised to 1 billion dollars and combined with the proposed product and service definition as opposed to an either/or concept. Isn't "complex" already defined in the Federal Credit Union Act?

I applaud NCUA for excluding IRR from the proposal. Although it is excluded, I do have concerns about the future plans of NCUA to address it. I agree, it does not belong in this proposal, but to make it a later discussion is not necessary. We have IRR rules and regulations today, so any future discussion is quite redundant.

Defining commercial loans is currently done in section 723. To redefine this only creates confusion to the definition we have today. Re-tooling the call report and our data system to accurately track the new definition would be quite complicated and expensive, but the real tragedy is the resources it would take away from serving our members.

I am also deeply concerned about the ability for an NCUA examiner to have the power to decide if a CU's comprehensive written strategy addressing capital adequacy is prudent. It seems to me much of it is left to the interpretation of the examiners as to what is adequate and comprehensive. Each CU's strategic planning and risk tolerance levels is what should determine the appropriate capital levels for that individual CU, not some piecemealed intermingled conglomeration of this regulation and that definition left to the interpretation of an examiner.

As far as risk weightings go, some improvement has been made but I believe you still missed the mark. I just don't see how you can apply an across the board risk weight to categories of loans, CUSO's, or investments when they can look so very different from CU to CU.

I continue to believe NCUA is acting outside the scope of the Federal Credit Union Act with this proposal. Please, I implore you, to rethink this proposal and eliminate it. Thank you for allowing me the opportunity to provide you with my thoughts and comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Fran Sommerfeld". The signature is fluid and cursive, with a large initial "F" and "S".

Fran Sommerfeld
President/CEO

cc. Credit Union Association of the Dakotas
Credit Union National Association