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April 15, 2015

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

RE: Proposed Risk-Based Capital 12 CFR Parts 701, 702, 703,713,723 and 747

Dear Secretary Poliquin,

I am writing to you on behalf of the members, Board of Directors and employees of Sun East Federal Credit Union concerning the agency's most recent risk-based capital proposal. We appreciate the agency's response to the over 2,100 comment letters submitted by credit unions and their advocates from across the country during the first comment period on this far reaching proposal. As a credit union that submitted a formal comment letter we commend NCUA for responding to a number of the concerns that we and many other credit union's had with the first risk-based capital proposal. We believe the revised proposal and its proposed changes are much more balanced than the original.

Although the second proposal is indeed an improvement over the original proposal, we believe that there are several areas of concern that still need to be addressed in the revised proposal and respectfully request NCUA's consideration of the following.

<u>*Regulatory Capital Threshold Still Too High*</u>

While the trigger to be classified as a well-capitalized credit union under the proposed risk-based capital structure has been slightly lowered from 10.5% to 10.0% it remains an excessive threshold. This reduction is still 300 basis points more than the statutory requirement to be classified as well-capitalized at 7%. This remains a significant flaw in the proposal in our opinion and it is one shared by many of our credit union colleagues and supporters who continue to question the need for a higher threshold, especially since the statutory 7% net worth level is well above what is required of community banks. Furthermore, we also believe there is justifiable concern under any risk-based capital proposal that requires an additional 300 basis points to be reserved and its potential impact on member service and the ability of a credit union to compete in a dynamic marketplace. This additional reserve requirement comes at the expense of not having that capital available for investment and growth of the credit union. This seems an undue burden and contradictory to the goal of credit union movement. Although we believe that the threshold should be consistent with the statutory requirement of 7%, we strongly feel that if an enhanced regulatory capital trigger is included in a final rule that it be reduced significantly to allow credit unions the maximum flexibility to meet member needs and compete in the marketplace. A more appropriate trigger in our view would be 9% similar to the threshold previously used by the agency to qualify credit unions to be eligible for RegFlex.

Risk Weights for Consumer Loans Should Be Revised

We also feel that the risk weight for consumer loans needs to be reconsidered based upon the simple fact that credit unions historically perform well in managing consumer loan risk, especially when compared to other financial institutions engaged in consumer lending. Raising the risk weight from .75 in the original proposal, to 1.0 for non-secured consumer loans, and keeping it at .75 for secured consumer loans, in our view, fails to recognize the aforementioned performance of credit unions We believe those percentages would better recognize credit unions actual performance at the .75 and .50 range respectively.

Risk Weighting of CUSOs Still Excessive

While the revised proposal, in respect to the collaborative nature of credit union service organizations (CUSOs) is somewhat improved over the original, the proposed weighting will still have a dampening effect on future development of CUSOs. It will impede the benefits inherent in the CUSO model including the risk sharing that comes from collaborating and the earnings/savings potential that economies of scale through CUSOs often provide credit unions. In our view, the proposed risk weight of 150 percent is not reflective of the actual risk CUSOs represent to the industry and is an area that needs a more significant reevaluation.

Mortgage Servicing Risk Weights Need to Be Reduced

Finally, we were disappointed the proposed mortgage servicing rights risk weight did not change and remained at 250%. We continue to maintain that this risk weight is excessive and should be reduced. In our view, a further reduction of 50 to 100 basis points would more accurately represent how credit unions deal with servicing rights on mortgages.

Please know that we appreciate consideration of our initial concerns of the original risk-based capital proposal and respectfully request that the agency thoughtfully consider our remaining concerns with the revised proposal as reflected in this comment letter.

We remain hopeful that any final form of a risk-based capital rule will positively reflect a comprehensive approach to capital modernization that further supports safe and sound credit union growth and makes the credit union movement a stronger, vibrant and attractive alternative for all consumers for generations to come.

Sincerely,

Michael J. Kaczenski
President & CEO

cc. Sun East Federal Credit Union Executive Management
Sun East Federal Credit Union Board of Directors
Sun East Federal Credit Union Supervisory Committee