April 24, 2015

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

RE: Comments on Proposed Rule: Risk-Based Capital; RIN 3133-AD77

Dear Gerald Poliquin,

I am writing on behalf of Southbridge Credit Union, which serves the Southern Central Massachusetts area. We have 11,008 Members and $162,529,735 in assets. Southbridge Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed amendments to the Risk Based Capital Rule.

First of all, I would like to say that the necessity for a new capital adequacy provision is not necessary at this time. I feel the work that credit unions have done, in collaboration with NCUA, since the financial crisis began back in 2008-2009 has been outstanding. I do believe that there are a few credit unions in our industry today that need better controls in managing their capital levels and I feel these new provisions are impacting those of us who have done a good job in protecting our member's capital in these tough economic times. The fact that the NCUA Board of Directors were not unanimous in their vote to proceed with new provisions creates the need to step back and look at these proposals again.

I do feel that the key areas of this proposal that will potentially impact Southbridge Credit Union will be focused on the risk weights being proposed. I do applaud NCUA for stepping back and re-evaluating the initially proposed weights. However, I do feel that some of the weights are still high when compared to our community bank competitors in the area under FDIC rules. I do agree that weights are needed to effectively manage the balance sheet of the credit union, but I do feel having those weights being set at the industry level does not take into account the individuality of each credit union's business focus, mission,and regional ecomonic climates.

Southbridge Credit Union recently was designated a Low Income Credit Union here in Massachusetts. Part of our Strategic Plan will be to apply for a CDFI certification. Our area is still economically challenged with a high concentration of low to moderate income consumers, as well as, small micro businesses attempting to serve those consumers. Our strategic focus is to assist those underserved consumers and help those micro businesses in our area do the same, through first-time home buyer programs, credit builder programs, small business lending,and financial literacy programs. We have been effectively managing our IRR over the past couple of years by selling long term, fixed rate mortgages with service retained. The risk weight placed on mortgage servicing assets could restrict our ability to continue to provide mortgages to the underserved, while effectively managing our IRR at the same time. Even though the risk weights were reduced from the first proposal on Member Business Loans, I still feel the weights are a little high and negatively impact our ability to help micro businesses in our field of membership.

My final comment about the new proposal is in regards to the investment in CUSOs. As a small to mid-sized credit union, it is sometimes imperative for us to find collaborative partners to help outsource various back office and other credit union functions to help manage to a lower expense ratio. A small part of that strategy will be investing in credit union owned CUSOs. I would hope that placing a high risk weight on this investment option will not work counter productively to what our organization will be attempting to accomplish in managing our bottom line, streamlining operations and attempting to scale our business model.

In closing, I want to thank NCUA once again for reconsidering the first RBC proposal and allowing credit unions to voice their opinions, comments and concerns. As a newly designated Low Income designee, with a CDFI certification to follow, I feel that some of the risk weights are still high and could potentially impact our ability to fully execute on our strategic plan and mission. I also wonder if there truly is a need for this new proposal, especially in light of the lack of an unanimous vote on the original proposal from the NCUA Board of Directors. I do appreciate the opportunity to express my concerns about this issue, and I hope that my comments, as well as other credit union comments will help influence either an even more scaled down version of this proposal or withdrawing the proposal completely. I do believe that most credit unions effectively manages their capital levels and concentration risk on the balance sheet through their normal ALCO activities and the need of more oversight and restrictions is unnecessary at this time.

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

Sincerely,

Jeffrey Davenport
President/CEO
Southbridge CU

cc: CUNA, CCUL