EASTMAN CREDIT UNION

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April 27, 2015

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

Re: RIN: 3133-AD77

Dear Mr. Poliquin:

Eastman Credit Union (ECU) is a federally insured Tennessee state chartered credit union that serves over 155,000 members. ECU is commenting on the NCUA's second proposed amendments to the Prompt Corrective Action – Risk-Based Capital (RBC) requirements.

I. Introduction

As a financial cooperative, ECU's mission is to enhance member financial well-being while maintaining reasonable levels of financial strength. Risks inherent in providing varied and complex financial products requires prudent risk management conducted by experienced and qualified financial professionals. ECU recognizes that NCUA must take measures necessary to ensure that credit unions maintain appropriate levels of net worth to protect the integrity of the industry and the National Credit Union Share Insurance Fund (NCUSIF).

ECU commends NCUA for reviewing its initial proposal and taking measures to improve it. However, subsequent to our review of the second proposal, ECU continues to have significant reservations, a few of which are addressed below.

II. Risk Based Capital Rule Remains Unjustified

ECU continues to question whether the proposed risk-based capital structure is necessary and remains unconvinced that this proposal is superior to the leverage ratio currently in place. In addition, we believe the proposal will not place credit unions in a better positon to manage risk or address safety and soundness issues. Furthermore, ECU feels that NCUA has not adequately demonstrated how there would have been a material reduction in NCUSIF insurances losses had this proposal been in effect during the recent financial crisis.

III. Complexity and Regulatory Burden

If adopted as proposed, credit unions will face the compliance burden of increased labor and other costs associated with data collection and updating policies and reporting systems. For example, the proposal involves risk-based capital ratio variables approaching 100. Combined with the significant regulatory burden imposed on credit unions subsequent to the economic downturn, this rule and all of its implications, will make it increasingly difficult for credit unions to

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conduct prudent and well-planned business. It is fundamentally unfair to require credit unions to incur this substantial, increased burden without providing a compelling explanation as to how this rule will improve the safety and soundness of credit unions.

IV. Voice of Reason

Board member McWatters' comments concerning the effect of regulatory overburden and his subsequent vote against the statutory authority of NCUA to adopt the proposed two-tiered RBC rule, is a fresh voice of reason within an environment that seems to embrace the idea that the more credit unions are regulated, the safer they will become. ECU urges NCUA to better balance regulatory burden between safety and soundness and providing a platform that makes it possible for credit unions to effectively carry out their mission.

V. Conclusion

The outcome of adoption of the proposed rule will be negative for both credit unions and their members. The newly proposed risk-based capital rule will not make the credit union industry safer. It will only complicate an already burdensome regulatory environment, thereby weakening credit unions and increasing risk to the insurance fund. ECU urges NCUA to take a pragmatic approach to carrying out its responsibilities by avoiding the pitfall of over-regulation.

Sincerely,

Olan O. Jones, Jr.
CEO and President
Eastman Credit Union