April 27, 2015

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

RE: RIN 3133–AD77; Risk-Based Capital

Dear Mr. Poliquin,

Highmark Federal Credit Union appreciates the opportunity to provide comment to the National Credit Union Administration (NCUA) with regard to the proposed amendments to Risk-Based Capital. Highmark Federal Credit Union is a $106 Million Credit Union headquartered in Rapid City, SD. We first started operations 75 years ago as a teacher Credit Union and have since expanded to a Community Charter. Highmark serves seven counties in Western South Dakota and four counties in Eastern Wyoming.

I appreciate the NCUA's review of the comment letters submitted in response to the first proposed rule regarding risk-based capital. I also thank the NCUA for listening to these comments and making significant changes to the proposed rule and issuing it for a second round of comments. However, there are still a number of concerns that I have with this second proposed rule regarding risk based capital. I oppose the proposed rule largely due to the fact it limits Highmark's ability to grow and serve its membership. Recently we acquired additional counties in our Field of Membership that have great opportunity for growth and that will benefit existing and new members alike. As a result of the new RBC requirements the ability to serve this new membership is greatly reduced.

Additional concerns are listed below:

- Proposed § 702.103 would define a credit union as ''complex'' and the risk-based capital ratio measure is applicable only if the credit union's quarter-end total assets exceed $100,000,000, as reflected in its most recent Call Report. The FCUA §216(d)(1) directs the NCUA to define complex based on "portfolios of assets and liabilities of credit unions." The proposed rule only bases "complex" on asset size.
    - Concerns – NCUA not following statute. Statute requires consideration of assets AND liabilities. Too low of a threshold.

- The NCUA is excluding consideration of IRR from the risk-based capital ratio measure under this proposed rule, but in the future intends to consider alternative approaches for

- Concern - Cost and time to implement.

In conclusion the NCUA's revised proposal to create a risk-based capital standard is a step in the right direction. However, the Proposed Rule as written would still have significant negative capital consequences to credit unions and could place them at a competitive disadvantage to banks. If the Proposed Rule is implemented as it currently stands, credit unions may out of self-preservation; seek bank charters where risk-based capital requirements are much more consistent in their treatment of asset classes and much less punitive.

Sincerely,

John A. Carlson
President/CEO