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April 24, 2015

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

Re: Response to the Prompt Corrective Action- Risk Based Capital Rule 2.0 Proposal

Dear Mr. Poliquin

Thank you for the opportunity to respond to the Proposed Risk Based Capital Rule. Sun Federal has been serving our members with care since 1950 when our 10 founders place $10 each in a cigar box to start our cooperative. Today we help 31,000 members throughout their financial lifetime primarily in Ohio, Pennsylvania, New Jersey, Michigan, Delaware, Florida, New York and Arizona. We have reviewed the new RBC2 proposal and believe it is a tremendous improvement over the first draft. We continue to be concern as to the need for a new calculation given the financial resilience of the credit union movement during the last recession.

Interest Rate Risk

In regard to the proposal itself the biggest single concern we have is the latitude that is still available to examiners to add capital requirements on top of the RBC calculation requirement because of perceived excess interest rate risk at any given credit union. Interest rate risk analysis is highly assumption driven. Different vendors and models calculate risk differently and take different approaches to interest rate risk. This makes it very hard to quantify and therefore difficult to determine the adequacy of capital to offset this risk.

Even if this risk could be assessed in a uniformed way across the movement each credit union has a different tolerance level, ability to manage this risk and track record that demonstrates their ability to respond to changing market conditions. We traditionally take on more interest rate risk than other credit unions. During the last ramp up of rates from June 2014 to June 2006 when Fed Funds rates increased 425 basis points our net interest margin improved. This is because of our focus on formulating

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and implementing strategies to reposition the balance sheet over the past 20 years (see attached statistical chart).

To illustrate the point if an experienced tightrope walker was crossing Niagara Falls on a tight rope and had done in many times before successfully in various weather conditions we would take that experience and skill into consideration when considering the walker's chances of successfully navigating this circumstance in the future. If a tourist watching the performance were challenged to face the same risk their chance of success would be viewed much less favorably.

How do you truly quantify the capital needed to offset risk when risk is offset by varying degrees of skill and experience at each credit union? Two credit unions with the same risk outcomes that use the same model with the same assumptions and member behaviors would still pose very different risk depending on their skill and experience as proven by their ALM track record.

Supplemental Capital

CUNA has estimated that the new proposal will erode at least one billion dollars of the capital that credit unions have built up in excess of the current Require Net Worth. Sun Federal's own policy requires that we retain a 150 basis point buffer above our Required Net Worth. It is important for credit unions to have this buffer to facilitate seasons of growth and risk. With this in mind, supplemental capital becomes especially important.

One idea for supplemental capital would be to allow credit unions to count a portion of long term member deposit commitments. Sun Federal has a Lifetime IRA product that renews every 10 years, allows for up to 5% of the certificate principal and 100% of the dividends earned as a penalty free withdraw each year. It re-prices once at the 5 year mark and has a rate floor of 2.5%. The withdrawal penalty for amounts over the annual 5% withdrawal limit is 18 months of dividends. A minimum of $50,000 can be deposited up to a maximum of $500,000 so that it is fully insured through the NCUIF and ESI deposit insurance coverage.

For the member it can be both a secure retirement investment as well as an annuity type product to be used as a source of retirement income. For the credit union a minimum of 50% of the aggregate member balances become a secured deposit for 10 years (maximum of 5% annual withdrawal of principal for 10 years and a large withdrawal penalty for anything larger).

Timing of the RBC2 Implementation and Recognition of Stabilization Fund Surplus as a Refund

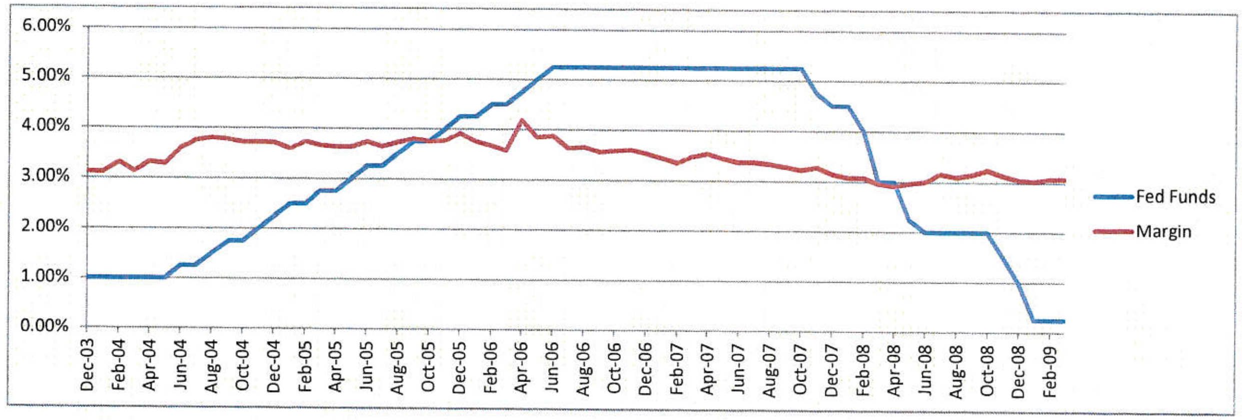
After participating in the recent Webinar sponsored by CUNA's CFO Council I was reminded of the excellent condition of the Stabilization Fund thanks in part to NCUA's stewardship of the fund, low interest rates on borrowing, lawsuit proceeds and bond values. The estimated surplus in the fund steadily has increased each quarter (see attachment). It certainly sounds as if there will be a material refund to credit unions starting in 2021 when all obligations are paid (treasury and investors) and some of the assets that are left could be reasonable liquidated. We should be allowed to recognize a conservative portion of this estimate as a receivable and therefore income which increases capital by the 2019 proposed implementation date of RBC2. An alternative would be to push back the RBC2 implementation date beyond 2021. Either option would provide complex credit unions, which have paid the bulk of the stabilization assessments and are subject to the new rules under the proposal, with additional capital.

If you have any questions or would like to discuss this response further, please contact me at 419-794-7430.

Cordially,

Brian W Hughes
Vice President of Finance, Wealth and Business Solutions
Sun Federal Credit Union

Date	Fed Funds	Margin
Dec-03	1.00%	3.12%
Jan-04	1.00%	3.11%
Feb-04	1.00%	3.30%
Mar-04	1.00%	3.13%
Apr-04	1.00%	3.31%
May-04	1.00%	3.28%
Jun-04	1.25%	3.59%
Jul-04	1.25%	3.76%
Aug-04	1.50%	3.80%
Sep-04	1.75%	3.77%
Oct-04	1.75%	3.72%
Nov-04	2.00%	3.72%
Dec-04	2.25%	3.71%
Jan-05	2.50%	3.59%
Feb-05	2.50%	3.73%
Mar-05	2.75%	3.66%
Apr-05	2.75%	3.63%
May-05	3.00%	3.63%
Jun-05	3.25%	3.74%
Jul-05	3.25%	3.64%
Aug-05	3.50%	3.73%
Sep-05	3.75%	3.80%
Oct-05	3.75%	3.75%
Nov-05	4.00%	3.77%
Dec-05	4.25%	3.92%
Jan-06	4.25%	3.75%
Feb-06	4.50%	3.67%
Mar-06	4.50%	3.57%
Apr-06	4.75%	4.18%
May-06	5.00%	3.85%
Jun-06	5.25%	3.87%
Jul-06	5.25%	3.63%
Aug-06	5.25%	3.65%
Sep-06	5.25%	3.55%
Oct-06	5.25%	3.58%
Nov-06	5.25%	3.60%
Dec-06	5.25%	3.53%
Jan-07	5.25%	3.34%
Feb-07	5.25%	3.46%
Mar-07	5.25%	3.53%
Apr-07	5.25%	3.43%
May-07	5.25%	3.36%
Jun-07	5.25%	3.36%
Jul-07	5.25%	3.33%
Aug-07	5.25%	3.28%
Sep-07	5.25%	3.22%
Oct-07	4.75%	3.27%
Nov-07	4.50%	3.14%
Dec-07	4.50%	3.08%
Jan-08	4.00%	3.08%
Feb-08	3.00%	2.96%
Mar-08	3.00%	2.91%
Apr-08	2.25%	2.97%
May-08	2.00%	3.00%
Jun-08	2.00%	3.16%
Jul-08	2.00%	3.10%
Aug-08	2.00%	3.15%
Sep-08	2.00%	3.24%
Oct-08	1.50%	3.13%
Nov-08	1.00%	3.05%
Dec-08	0.25%	3.03%
Jan-09	0.25%	3.07%
Feb-09	0.25%	3.08%



Resolutions Costs and Net Remaining Assessments

Resolution Costs ($Billions)

Formula	a	- b	= c	- d	= e
Resolution Costs	Total Projected Resolution Costs	Credit Union Member Capital in Corporates	Remaining Projected Resolution Costs	Total Assessments Paid to Date	Net Remaining Projected Assessments over the Life of the Stabilization Fund
2010 July	$13.9 to $16.1	$5.6	$8.3 to $10.5	$1.3	$7.0 to $9.2
2011 Q2	$10.8 to $15.1	$5.6	$5.2 to $9.5	$3.3	$1.9 to $6.2
2011 Q4	$11.6 to $14.9	$5.6	$6.0 to $9.3	$3.3	$2.7 to $6.0
2012 Q2	$11.6 to $14.5	$5.6	$6.0 to $8.9	$4.1	$1.9 to $4.8
2012 Q4	$11.3 to $13.6	$5.6	$5.7 to $8.0	$4.1	$1.6 to $3.9
2013 Q2	$10.2 to $12.0	$5.6	$4.6 to $6.4	$4.8	-$0.2 to $1.6
2013 Q4	$8.4 to $9.8	$5.6	$2.8 to $4.2	$4.8	-$2.0 to -$0.6
2014 Q2	$8.2 to $10.2	$5.6	$2.6 to $4.6	$4.8	-$2.2 to -$0.2
2014 Q4	$7.9 to $9.7	$5.6	$2.3 to $4.1	$4.8	-$2.5 to -$0.7

*** Total Assessments Paid to Date:**
- $1.3 billion assessed in 2009 & 2010
- $2.0 billion assessed in 2011
- $0.8 billion assessed in 2012
- $0.7 billion assessed in 2013
- **$4.8 billion in total**

**** Gross Proceeds from Legal Settlements:**
- $0 billion in 2009 & 2010
- $0.166 billion in 2011
- $0.005 billion in 2012
- $1.582 billion in 2013
- **$1.753 billion in total**