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FirstFlorida
CREDIT UNION

April 24, 2015

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

Re: Risk Based Capital 2 Proposal

Dear Mr. Poliquin,

I would like to thank you for the opportunity to comment on the revised Risk Based Capital plan that the NCUA board is considering implementing for our industry. I would also like to acknowledge that it was very encouraging to see NCUA take input from the original comment period and make adjustments to their proposal.

As a quick reminder, I am the CEO of First Florida Credit Union in Jacksonville, Florida serving 59,000 members that are primarily employees of the State of Florida and CSX Transportation. We are currently just over $700 million in assets and exceed 17% in capital. We not only serve SEG groups but also communities around the State of Florida.

As a CEO and employee of a credit union, we continue to see more and more regulations, rules, and requirements that ultimately make it more difficult to serve our members and be successful. If the issue is Safety and Soundness of the credit union industry, I think we have shown our ability to weather the economic storm and not only survive, but retain a strong share insurance system. As a cooperative and not-for–profit entity, our structure is different than banks, thrifts and other for-profit financial institutions thus should be a consideration when regulations can cause additional capital or reserves to be raised.

My specific concerns and some thoughts are listed below:

1. My main concern is still "why now for Risk Based Capital?" Is this a knee–jerk reaction to other agencies implementing similar regulation? I would ask to look at overall capital ratios of our industry and look at the share insurance fund. The hardest hit in the share insurance fund came from corporate credit unions and specifically US Central. NCUA was the regulator of those institutions. Adding more capital would not have changed the outcome of the economic impact of the last six years with corporate or member owned credit unions. The solution to solving the risk issue for NCUA is not putting more money into our capital accounts, but to ensure the proper management of risk is in place.

2. While the revised Risk Weights have been improved in the revised version, we still believe that the weights for CUSO investments and mortgage servicing assets are too high. Additionally, those weights are arbitrary to those activities and do not have the flexibility to actually access specific risk for a credit union and apply applicable ratings.
3. Risk weightings on first mortgage loans are stricter than for banks. This could prevent credit unions from being as competitive with banks and mortgage companies. This puts credit unions at a disadvantage. Credit unions have shown that their lending practices results in less loss than banks historically. Why would our risk weightings be higher, especially when we carry much more capital than banks?
4. Supplemental capital for RBC is not permitted unless Low-Income designation is obtained by a credit union. If NCUA wants credit unions to increase capital if higher risks are taken, give us the avenue to do so other than making more net income from our member owners.
5. Finally, the only way of raising capital for a credit union is through net income. If increase RBC is needed, the members have to pay for that. It is unfair to put the burden of the cost of raising additional capital in a short period of time on the members.

The fact is that credit unions do not need another ratio or "Risk Based Capital" calculation to judge risk or exposure to the share insurance fund. NCUA has the tools to properly provide oversight and guidance to those credit unions who show a higher propensity for risk. That is the purpose for the NCUA annual exam.

One more calculation will not resolve the issue of risk with any financial institution. We are in the risk business and the business to meet the financial needs of our members. As an industry we have built up not only a large amount of capital to weather economic ups and downs, but we have also been able to maintain the trust among our memberships.

With or without RBC, we will have credit unions that will run into problems and may cause a loss to the insurance fund. The risk for catastrophic losses to the share insurance is non-existent or very low. Also, applying RBC to a definition of "Complex" credit union based on size is also not related to risk but size of a credit union. How accurate can that be? A $99 million credit union is not "Complex" and one over $100 million is "Complex". As an industry, we have advocated against the judgment of credit unions based on asset size for many regulatory and legislative initiatives, specifically taxation threats from banks. Now NCUA is placing the line of separation of "Complex vs not-Complex" at $100 million. Asset size does not constitute the risk associated with the activities that a credit union is engaged in.

I ask the NCUA board to reassess what is the "right" approach is to risk based capital. There is not a reason for urgency or a crisis that forces quick decisions. Start small and build a better risk model. Lumping so many categories into one calculation prevents the ability for a credit union to manage to a specific ratio. A credit union will be afraid of starting new mortgage or business lending programs out of fear of driving down their RBC. A credit union may decide not to merge with a struggling credit union because the "good will" value will impact their RBC, however if it was a "Supervised" merger by NCUA it would not be considered. These voluntary mergers by credit unions are significant to lowering the overall risk of loss to the share insurance fund.

The Board of Directors, staff, and members of First Florida Credit Union asks that NCUA let us continue to do our jobs as we have done so for so many years successfully. At 17% capital, we may not have to worry about RBC impacting us today, however, we do know that RBC will impact the decisions we make as a credit union and the value proposition we provide our membership.

Thank you for your time and consideration.

Brent E Lister

Brent E Lister
President / CEO
First Florida Credit Union