TDECU
YOUR CREDIT UNION

April 27, 2015

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

Dear Mr. Poliquin:

TDECU – Your Credit Union expresses our appreciation to NCUA for seriously considering our comments dated April 24, 2014 regarding the agency's original risk-based capital proposal ("Original Proposal"). We commend NCUA for responding to a number of the concerns we expressed about the Original Proposal. The revised risk-based capital proposal ("Revised Proposal") is more balanced than the Original Proposal, and we are appreciative of the changes. Specifically, NCUA Revised Proposal of removing weighted average life from investments risk weights, eliminating the individual minimum capital requirement; and the longer implementation period of January 1, 2019 will support TDECU's ability to grow as a $2.6 billion credit union, serving over 212,000 members in Texas. However, we believe there are still several areas of concern that we feel should be addressed by NCUA and respectfully request that you consider the following:

1. **Non-Delinquent First Mortgage Real Estate Loans –** We acknowledge NCUA for revising the risk-weight for non-delinquent first mortgage real estate loans and other real estate secured loans to align with FDIC's risk-weight for the same type of loans. But the proposed concentration risk penalty still places an undue burden on credit unions by requiring higher levels of capital for those whose first mortgages are in excess of 35% of total assets. TDECU manages asset concentrations through balance sheet and asset quality analyses on a quarterly basis and maintains manageable concentration levels. Thus based on our low delinquency and charge-off ratios, as shown on our 5300 Call Report, we recommend the higher risk-weights for concentrations of non-delinquent first mortgage real estate loans be eliminated. This would benefit our members by reducing the costs to fund these loans and TDECU would not be at a competitive disadvantage with other financial institutions including community banks regulated by FDIC.

2. **Mortgage Servicing Assets –** TDECU maintains its position that our Mortgage Servicing Assets are evaluated annually for impairment to the assets, based on Generally Accepted Accounting Principles. Imposing a 250% risk-weighting on Mortgage Loan Serving Assets is artificially high and excessive, particularly when a credit union closely manages its portfolio. TDECU takes a conservative approach in the value we assign to these assets as a prudent management practice. Reserving capital at a high value completely negates prudent management. The risk-weighting should allow for the effectiveness of the risk management practices for each institution in its valuation. We recommend allowing a lower weight of 100% that would factor the prudent activities of management.

3. **Risk Adjusted Capital –** The requirement to have 10.00% Risk Adjusted Capital for all credit unions is excessive, when compared with all other financial institutions, especially when the minimum equity ratio is mandated at a high base level of 7.00%. We believe the 10.00% is excessive and will impact credit union growth, products and services credit unions can invest in to support strategic growth and offering of competitive market products to all credit union members.

4. **CUSOs –** The Revised Proposal of 150% Risk Based Capital rating of CUSOs that are owned by more than one credit union is punitive and unjustified. We recommend starting with a 100% Risk Based Capital rating on CUSOs, and if NCUA discovers through extensive analysis based on reports from credit unions that CUSOs pose a systemic risk then consider a higher Risk Based Capital rating of CUSOs. Otherwise, CUSOs provide unique structures to credit unions that leverages economy of scales, diversifies risks and provide specific services to credit union members that should not be penalized.

Thank you for the opportunity to comment. The Revised Proposal is a vast improvement to the Original Proposal, but continues to place undue burdens on TDECU's future growth and providing Reliable, Efficient, Accommodating and Loyal (REAL) service to our members.

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Very truly yours,

Stephanie Sherrodd

Stephanie Sherrodd, President & CEO
TDECU – Your Credit Union

cc: The Honorable Deborah Matz, Chairman, National Credit Union Administration
The Honorable J Mark McWatters, Board Member, National Credit Union Administration
The Honorable Richard Metsger, Board Member, National Credit Union Administration
The Honorable John Cornyn, United States Senate
The Honorable Ted Cruz, United States Senate
The Honorable Kevin Brady, United States House of Representatives
The Honorable John Abney Culberson, United States House of Representatives
The Honorable Blake Farenthold, United States House of Representatives
The Honorable Al Green, United States House of Representatives
The Honorable Sheila Jackson Lee, United States House of Representatives
The Honorable Pete Olson, United States House of Representatives
The Honorable Ted Poe, United States House of Representatives
The Honorable Brian Babin, United States House of Representatives
The Honorable Filemon Vela, United States House of Representatives
The Honorable Randy Weber, United States House of Representatives
The Honorable Gene Green, United States House of Representatives