



April 20, 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,

Service First 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. Service First Federal Credit Union is a community charter credit union with \$140M in assets located in Sioux Falls South Dakota. Our credit union serves the underserved at John Morrell & Company along with the surrounding rural communities.

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/we have with this second proposed rule regarding risk based capital. I am still opposed to the newly designed RBNW rule as it still hinders the ability of our credit union to serve our members in a manner that is commensurate to the counties in which we serve. For example, we are and have been in Prompt Corrective Action (PCA) since I took over the credit union in 2010 due to some past poor lending practices, and now that we are on the rebound and doing much better, the new rule will prolong our PCA status and continue to hinder us moving forward. We welcome the NCUA and its examiner and have learned a lot from them, but in our opinion the more regulation to fix a few large credit unions at the expense of the small seems like over regulation vs. true preservation of the credit union system.

Below are a few highlighted items that I feel are truly over regulating:

- 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.

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- Under the proposed rule (702.102(a)(1)) a credit union would be classified as “well capitalized” if the credit union has a net worth ratio of 7.0 percent or greater; and the credit union, if complex, has a risk-based capital ratio of 10 percent or greater. The FCUA §216(d)(2) directs the NCUA to design the risk-based net worth requirement to take account of any material risks against which the net worth ratio required for an insured credit union to be *adequately capitalized* may not provide adequate protection. The FCUA does not discuss requirements for well capitalized credit unions.
 - Concern – NCUA not following statute.

- The proposed rule would add § 702.101(b) Capital adequacy. “(1) Notwithstanding the minimum requirements in this part, a credit union defined as complex must maintain capital commensurate with the level and nature of all risks to which the institution is exposed. (2) A credit union defined as complex must have a process for assessing its overall capital adequacy in relation to its risk profile and a comprehensive written strategy for maintaining an appropriate level of capital.”
 - One concern is that individual examiners would be able to scrutinize the credit union’s written strategy and that subjective views may come into play.

- In this proposed rule, the NCUA declines to permit credit unions (other than low-income credit unions) to include other supplemental forms of capital in the risk-based capital ratio numerator, pending potential Congressional action. In the discussion of the proposed rule, the NCUA notes that “at this time the Board prefers to await the outcome of previously proposed legislation that, if passed by Congress, would expressly authorize supplemental capital as a component of net worth, and permit the Board to decide whether or how to include such capital in the net worth ratio and the risk-based net worth requirement.”
 - Concern – rule should permit secondary capital.

- Risk weights - The NCUA agreed with commenters that IRR and credit risk should not be commingled in the risk weights. This proposed rule addresses credit risk and concentration risk to be comparable to the Other Banking Agencies.
 - Concern – proposed rule still has categories that should be adjusted.
 - Concern – new categories will mean more data must be supplied to NCUA.
 - Concern - Cost and time to implement.

I know that I am only one voice, but our management team and board are thankful to you for listening to our concerns.

Respectfully submitted,



Travis Kasten
President / CEO