First Financial
Putting people first since 1936.

1800 Route 34 North ● Suite 302 ● Wall, NJ 07719 ● 732-312-1500 ● Fax 732-312-1529 ●
firstffcu.com

April 24, 2015

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

Via Email: regcomments@ncua.gov

RE: PROPOSED AMENDMENTS TO 12 CFR PARTS 700,701,702,703,713,723, AND 747

Dear Mr. Pollquin:

On behalf of our 19,000 members, the Board of Directors, management and staff of First Financial Federal Credit Union, would like to take this opportunity to comment on the proposed amendments to 12 CFR PARTS 700,701,702,703,713,723, and 747 of the proposed Risk-Based Capital issued on 01/15/2015.

RBCII is a critical regulation for the credit union industry and NCUA. NCUA should address and settle the issue of having one of the three board members (Board Member Mark McWatters) dissent on this proposed RBCII prior to the issuance of a new and final RBC regulation. Unanimous vote is crucial for the long term success and effectiveness of the regulation.

Credit union charter is a unique charter and is completely different in its foundation when compared to banks and thrifts. The majority of credit unions including First Financial do not have the authority to raise offensive or defensive capital. Therefore, this is an erroneous basic assumption to start a process of developing an RBCII that is a derivative from the Basel III RBC for-profit banking model. Credit unions cannot offset certain risk factors within their loan or investment portfolio by raising defensive capital. By implementing the current proposed RBCII, credit unions have only one choice, which is to restructure the balance sheet and limit what they provide to their owner members and gradually become irrelevant. The future requires credit unions to be more relevant, not less.

If we ignore the above fundamental difference and focus on the credit union proposed RBCII, we will observe the following:

NCUSIF Deposit – Eliminating the NCUSIF deposit is contradictory to key pillars of how credit union industry functions and attempts to collectively manage the risks in the credit union system.

Investments in CUSO – If you compare apples to apples, the banking RBC of similar Equity Investments has 100% risk weight.

Well Capitalized Ratio – We have major concerns with the proposed RBC ratio for “well capitalized” set at 10 percent.

Mortgage Servicing – Mortgage Servicing is still too high and excessive at a risk-weight of 250%

Other Reserves – In the Equity category, the 100% risk weight for “Other Reserves” should be reviewed to support good sound financial decisions such as prefunding of pension.

It is important for credit unions to have appropriate levels of capital to cover the risks credit unions pose on the share insurance fund. However, mandating excessive and unnecessary capital reserves will result in decline in member services, net income opportunities and growth of credit unions. We, credit unions, need a legislative solution to achieve a fair and balanced RBC system.

Thank you for the opportunity to comment on this proposed rule and for considering our input on the proposed risk based capital requirements.

Sincerely,

Issa Stephan

Issa E. Stephan, CCUE, CUERME

President & CEO