Southland Federal Credit Union

April 27, 2015

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

Sent via E-mail to: regcomments@ncua.gov

Re: Southland Federal Credit Union
Comments on Proposed Rule: Risk-Based Capital; RIN 3133-AD77

Dear Mr. Poliquin:

This letter represents the views of Southland Federal Credit Union regarding the NCUA's second proposal on Risk-Based Capital ["RBC"]. Our credit union is growing and have assets of just over $36 million. We have a community charter and have the low income designation. We appreciate the opportunity to comment on this very important issue. Although we are a small credit union with assets below the threshold, we still have concerns about this proposal.

We would like to express appreciation for NCUA's acknowledgement of the flood of comment letters in response to the first Risk-Based Capital proposal ["RBC1"]. The second proposal ["RBC2"] represents an improvement over the original proposal. However, despite the improvements, we cannot support RBC2 as drafted.

No Need For Rule
NCUA has attempted to justify its rule by stating that it is needed to make the RBC system for credit unions more comparable to banks, to respond to GAO recommendations, and to require credit unions that take more risk on their balance sheets to hold more capital to minimize losses to the share insurance fund.

No evidence has been presented that credit unions have been undercapitalized, not even during the recent financial crisis and Great Recession. NCUA has not shown that there would have been any material reduction in share insurance losses had RBC2 been in effect at that time.

Although the Federal Credit Union Act ["FCUA"] directs NCUA to devise a risk-based capital requirement that is comparable to banks, it also specifically requires NCUA to take into account the unique nature of credit unions. The clause was added with a purpose: to provide flexibility for credit unions because they are different from banks. Credit union risk cannot be compared apples to apples to bank risk.

Definition of Complex Credit Union

We appreciate NCUA listening to the commenters who emphasized the need for changes to the definition of complex credit union. Raising the asset size from $50 million to $100 million is a move in the right direction. However, we still believe that additional changes need to be made to the definition.

We believe the asset threshold should be raised further to $500 million. Two thirds of NCUSIF insured shares are included at that threshold, so little risk exists to the share insurance fund by setting the threshold at that mark.

Additionally, by focusing solely on the size of the credit union, NCUA fails to follow the intent of Congress. The FCUA specifically states that the definition of complex credit union should be based on the portfolios of assets and liabilities of credit unions; the FCUA does not state to base it on asset size alone. As a result, we urge NCUA to amend the proposed definition of complex credit union to reflect factors such as deposit account types, member services, loan and investment types, and portfolio composition.

Summary

In summary, we urge NCUA to remember that its job is to regulate credit unions so that they may thrive and grow; the NCUA should not be managing the credit union balance sheet. We urge NCUA to withdraw the proposal because it exceeds NCUA's statutory authority and is fundamentally flawed in several areas. Should NCUA proceed, we urge NCUA to further amend the definition of complex credit union.

Thank you for the opportunity to comment on this very important issue. Please feel free to contact me at 936-639-2311 or jmatthews@southlandfcu.com with any questions you may have.

Sincerely,

Jonathan P. Matthews
Chief Executive Officer