April 24, 2015

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

RE: Comments on Proposed Rule: Risk-Based Capital; RIN 3133-AD77

Dear Gerald Poliquin,

I am writing on behalf of Xceed Financial Credit Union, a workplace credit union that focuses on meeting the needs of working adults employed by our many Select Employer Group (SEG) partners. We have approximately $1.1billion in assets under management, 57,000 members nationwide, and operate 12 Financial Centers in six states. We are thankful for the opportunity to provide comments to the National Credit Union Administration Board on its proposal regarding Risk Based Capital requirements.

We appreciate many of the changes implemented in the revised proposed rule. Reducing the well-capitalized requirement to 10%, delaying the implementation date, shrinking the risk weights for many types of assets, allowing the entire ALLL to be included in the ratio, and removing interest rate risk from the equation are all improvements. Nevertheless, we feel that the rule, as currently proposed, remains fundamentally flawed and will negatively affect the ability of credit unions to serve consumers. We believe the rule should be tabled or significantly modified.

We would like to comment in particular on our concerns set forth below.

We do not believe the NCUA has made a real argument for the necessity of this regulatory action. The credit union system did, in fact, hold up incredibly well during the worst economic catastrophe since the great depression with the current system and capital adequacy definitions in place.

The capital required by this proposal, even at the revised levels, will still detrimentally impact our members. Xceed Financial is a strong mortgage lender. However, under this proposal, we would be required to hold additional capital even though our loan portfolios are high quality and low risk. This additional capital requirement will not be in our member-owners' best interests, as it will hamper our ability to remain competitive and operate profitably for them. Furthermore, the proposal, as written, would lead the credit union industry to hold additional capital, which would not only have a negative impact on the individual credit unions but on the economy as well.

We believe the NCUA's definition of "complex" purely by asset size is an arbitrary determination that does not consider the actual operations of credit unions of all sizes and their inherent risks. There are large credit unions with simple operating models and smaller credit unions with complex operating models and to randomly select $100 million as the determinant for complexity seems unreasonable.

NCUA has made many positive changes to the risk weightings; however, the risk weights for many categories - CUSO investments and mortgage servicing rights (MSRs) in particular -remain too high. The CUSO weighting could negatively affect the future operation of CUSOs, which would be a huge disservice to credit unions of all sizes. Weighting MSRs so heavily makes no sense in our current economic cycle given they actually act as a natural hedge to the loan portfolio in an upwardly moving rate environment.

We also would like to see addressed in the rule the ability to acquire supplemental capital as well as the inclusion of supplemental capital in the numerator of the calculation. Similarly, we believe there is value to allowing the carry of goodwill on the books. As long as it meets GAAP requirements, it should be included in capital.

Thank you for the opportunity to comment on this very important topic.

Sincerely,

Teresa Freeborn
President & CEO
Xceed Financial FCU

cc: CUNA, CCUL