

**ALLEGANY COUNTY**  
 **TEACHERS**  
**Federal Credit Union**

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May 21, 2014

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

Via e-mail: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

**Comments on Proposed Rule: Prompt Corrective Action – Risk-Based Capital.**

Dear Mr. Poliquin:

Allegany County Teachers Federal Credit Union appreciates the opportunity to submit comments on NCUA's proposed rule Prompt Corrective Action – Risk-Based Capital (RBC).

**Risk-Weights**

A number of the risk weights do not appear to be properly calibrated for credit unions. They are even higher than what is being imposed on banks by the BASEL III changes. Using higher risk weights on long-term assets to deal with interest-rate risk is misleading without considering liability maturities and other mitigating factors.

Allegany County Teachers Federal Credit Union fully understands the importance of monitoring and mitigating interest rate risk as it relates to long-term assets; however, assigning a higher risk weighting based on this factor alone is misleading. We are expected to develop, calculate, and evaluate a Net Economic Value to ensure that our balance sheet is well-positioned to cope with a variety of rate scenarios. If we are developing that analysis and applying it accurately and efficiently, and having it reviewed by a third party, why is it necessary to establish another level of risk? There are so many variables to consider when analyzing interest rate risk including but not limited to non-maturity deposits and the credit union's actual prepayment of loans.

Furthermore, if consideration is being given to the net long-term assets to assets ratio, NCUA must consider the volatility of this ratio based on the specific credit union's fluctuation in assets. As a "Teachers" credit union, it is customary for our assets to drop \$1.0 to \$2.0 in the summer while the teachers are not receiving a pay causing a significant change in our net long-term assets to assets ratio. The net long-term assets to assets ratio is too remedial to adequately assess interest rate risk.

### **NCUA Examiner Discretion**

NCUA would assume additional authority to impose higher capital requirements on individual credit unions. This opens the door to inconsistent and arbitrary application because we all interpret the rules differently and each examiner has their very own area of expertise.. It would also diminish the boards and management to make financial judgments and oversee policy. Our recommendation is to remove section 702.105(c) from the rule entirely.

In my experience with NCUA Examiners, it is apparent that not all of them are on the same page nor can they provide concrete evidence or advice when approached with probing questions about rules and regulations and why a credit union is being issued a Document of Resolution (DOR) or how they can fix an identified compliance violation. They also tend to require certain practices at some credit unions, but not all despite the regulatory requirements. This proposed section of the regulation provides for additional confusion and subjective examinations resulting in an unreliable method of FAIRLY examining all credit unions. Furthermore, a NCUA Examiner has limited knowledge of the credit union's operations, strategic direction, and financial stability making it extremely difficult to systematically assess the Credit Risk, Interest Rate Risk, Liquidity Risk, Strategic Risk, Compliance Risk, Reputation Risk, and Transaction Risk.

### **Conclusion**

Allegany County Teachers Federal Credit Union is requesting NCUA to take interest in our comments, concerns and suggestions with the hope that NCUA will consider withdrawing this flawed proposal in favor of opening a new dialogue with the credit union community. At the very least, we urge NCUA to pursue the appropriate amendments to this rule that will ensure a viable, well-balanced risk-based capital system is implemented.

Thank you for the opportunity to comment on the proposed rule. If you should have any questions, please contact me at [christie28@alcoteachersfcu.org](mailto:christie28@alcoteachersfcu.org) or 301-729-8015

Sincerely,

*Christie L. Clark*

Christie L. Clark  
Vice President  
Allegany County Teachers Federal Credit Union

Cc: Rep. John Delaney  
Sen. Barbara Mikulski  
Sen. Benjamin Cardin