



May 23, 2014

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](mailto:regcomments@ncua.gov)

Re: Alliance Federal Credit Union Comments on Proposed Rule: PCA – Risk-Based Capital

Dear Mr. Poliquin:

This letter represents the views of Alliance Federal Credit Union regarding the NCUA's proposal on PCA – Risk-Based Capital. Alliance FCU is based in Lubbock, Texas and serves approximately 19,700 members and holds \$223 million in assets. Alliance FCU appreciates the opportunity to comment on the NCUA proposed rule PCA – Risk-Based Capital.

While Alliance FCU recognizes the need for Risk-Based Capital we feel that the proposed rule has some concerns that need to be addressed:

- An examiner has discretion to increase risk based capital requirements for an individual credit union based upon the examiner's subjective analysis of additional risk. The subjective analysis creates a moving target for credit unions to manage toward and will lead to an inconsistency in application. Credit unions must be able to manage to specific regulatory capital expectations.
- The new rule contains risk weights in the Mortgage and Member Business Loans that are well above the risk weights applied to community banks under Basel III. In the Mortgage and Member Business Loans, these risk weights are double that of Basel III even though credit unions show significantly lower loss rates in these categories than community banks.
- The time in which credit unions will have to adhere to the proposed rule (18 months) is too short. Banks will have 5 years under Basel III to comply with the regulation, so credit unions should have the same amount of time to comply with

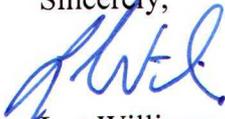
the proposed rule. At the earliest the deadline to comply should be pushed back to January 2019.

- The NCUA should not require credit unions to exclude the 1% NCUSIF deposit or goodwill in calculating their RBC.

If the NCUA proposed rule PCA – Risk-Based Capital were implemented today Alliance FCU would remain well capitalized, however, with the overcapitalization that the proposal would require, Alliance FCU would see our asset growth decline over the long term. This would hold true for all credit unions effectively lowering the national economic growth of the industry.

Overall, credit unions have weathered the storm of the recent great recession well and it has only been a bump in the road for most well capitalized credit unions. Overall, the concept of RBC is good, however the proposal as written will not benefit the credit union industry as a whole.

Sincerely,



Lee Williams

CEO

Alliance Federal Credit Union