



May 27, 2014

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

Dear Mr. Poliquin:

Alloya Corporate Federal Credit Union appreciates the opportunity to comment on the NCUA's proposed rule "Prompt Corrective Action – Risk Based Capital". As a provider of liquidity, deposit and investment services to credit unions, we believe that NCUA's proposed rule may have several unintended consequences that put credit unions at a disadvantage in the marketplace.

The proposal's section on the impact of the regulation cites estimates of how many credit unions would experience a decline in their PCA classification. While this is useful information, the analysis ignores the impact of how many credit unions would be much closer to a downgrade of their PCA classification. This is meaningful information as access to liquidity sources may be restricted when a credit is downgraded. Therefore, we believe that this section underestimates the potential adverse impact on credit lines and sources of liquidity.

The proposal provides risk weights for investments based on their corresponding average lives. This approach is inconsistent with the regulations for other financial institutions where the focus is mainly on the credit risk of investments. Interest rate risk management is better handled within the examination process and not through a risk-based capital calculation. Interest rate risk management should follow NCUA's recently released rule on interest rate risk policy and programs (12 CFR Part 741, RIN 3133-AD66).

Lastly, the proposal increases the risk weight on corporate credit union perpetual capital from 50% to 200%. The higher risk weight is doubly punitive when considered with the discounting of perpetual capital that is required per Part 704 corporate credit union regulation that goes into effect in October 2016. The capital charge to credit unions is increasing while the value of perpetual capital to a corporate credit union is declining. We recommend retaining the current risk weight at 50% or, alternatively, amend Part 704 to remove the discounting of perpetual capital in future years.

Respectfully submitted,

A handwritten signature in black ink that reads "Todd M. Adams".

Todd M. Adams
Chief Executive Officer