Altier
CREDIT UNION™

April 23, 2014

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

Re: RIN 3133-AD77

Dear Mr. Poliquin:

Having reviewed the proposed rule changes in relation to Prompt Corrective Action – Risk-Based Capital on behalf of Altier Credit Union I submit the following comments and suggestions for your consideration:

1. The currently proposed 702.104 asset risk weightings will certainly require Altier Credit Union to develop new strategies as it pertains to our lending product mix. As of December 31, 2013 we would move from a Well Capitalized institution to an Adequately Capitalized institution. Of course both our preferences are to be classified as Well Capitalized. A higher weighting to our Other Real Estate Loans exceeding 10% of assets seems extreme when you take into consideration the true dynamics of those assets (terms, rates, average life, etc.) Altier has a well diversified Other Real Estate Loan Program yet the risk weighting fails to assess or analyze any of the diversity or strengths associated with management's structure of that portfolio. We believe the weighting methodology should take a deeper dive on the structure of those assets if a higher risk weighting is to be applied or exceeds a 10% threshold. In Altier's case, half of these assets are adjustable rate loans and another 20% are well above current market rates and shorter in duration than traditional real estate loans. Furthermore, our delinquency and charge-offs are less than industry averages for these loan types. A credit union with good loan product diversification, and sound risk management policies and procedures can carry a larger concentration in this type of asset without adding risk to the NCUSIF. There should be some consideration to the quality of the portfolio rather than just a blanket regulation that raises the risk of the assets simply because the balance increases.

Altier's view is there are no additional risks associated with that > 10% to < 20% of assets portfolio of Other Real Estate Loans, provided management has demonstrated good diversification and risk management. Albeit, we are concerned this additional reserve requirement will discourage the movement from new and creative products to add loan growth, as well as hamper our ability to meet the needs of our members; additionally, the 10% threshold will certainly drive credit unions to not diversify beyond Non Delinquent Other Loans if the regulation is adopted in its current form.

2. Proposed 702.105 (c) lacks specific conditions and lends itself to the subjectiveness of the examiner and the agency. This autonomist power presents serious concerns for a movement facing competitors from all directions who have fewer regulatory hurdles to master. We are concerned that the conservative nature of NCUA will implement higher risk ratings and greater reserve requirements for new and innovative products, while competitors will not be subject to the same scrutiny. Another consideration in relation to 702.15 is the subjective premise of potentially implementing the entire industry to a "moving target" when it comes to capital requirements. At the very least the application of this regulation should be restricted with language to indicate utilization in a "last resort" situation.

3. Implementation of Proposed 702 within an 18 month window of final publication in the Federal Register presents some concerns for Altier Credit Union as well as the industry as a whole. Based on 2012 and 2013 loan data the industry average loan maturity is around 25 months. Given that this time frame saw a massive amount of prepayments in the form of refinancing on mortgage loans some consideration should be given to the fact that prepayments have slowed down, and the industry's ability to turn their portfolio and restructure will take longer than the 18 months proposed from final publication. We would suggest to the board that a more harmonious time frame would be 24 months, should the regulations become final in their current form.

4. Elimination of the reserve account (Proposed 702.401) is a much needed change. The account has been obsolete for some time, and "unnecessary confusion" can be traced to the lack of clarity in the regulation. We applaud the board for their action on this matter.

5. A risk-weight of 250% on the total value of CUSO investments simply because the asset is considered an "unsecured equity investment" gives no consideration to the quality of the investment, the longevity of the investment or even the size of the investment. Altier Credit Union has three CUSO investments for $76,800. However, the revenues associated with these CUSO returns are far greater than the investment balance. An unsecured equity position in and of itself is really no reason to risk-weight it at 250% of the balance. At worst the risk is par, especially when you value the revenue generation of the CUSO investment. We would ask the board to reconsider their position on this asset category.

As you consider these comments and suggestions please keep in mind that credit unions under NCUA supervision soundly weathered the worst economic recession in decades. Prior to the Great Recession the national Net Capital / Assets Ratio for all credit unions was 11.39%. As a whole the national credit union movement lost 158 basis points by the end of 2009, and in 45 months (Sept 2013) 107 basis points of that lost capital (67.72%) had been recovered, all while dealing with asset growth of 19.3% over that same timeframe. The current methodology of building, maintaining and rebuilding capital obviously works when you consider the history of this movement. The Federal Reserve, OCC and FDIC are all leaning to the simplified leverage ratio, a tried and proven method. Changing to a risk based capital program provides no guarantee the next crisis can be avoided or that damage and risk to the NCUSIF can be minimized. One thing is certain, confusion will persist with a risk-based model. Four plus years after the Great Recession it is generally understood that poor planning, ignorance, and to some extent greed did the greatest damage to capital, and no amount of regulatory re-write will relieve the movement of those elements.

Sincerely,

David L. Skilton
SVP / CFO