



# APCO EMPLOYEES CREDIT UNION

750 17TH STREET NORTH  
BIRMINGHAM, ALABAMA 35203

TELEPHONE 205.226.6800

April 25, 2014

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

Re: NCUA Proposed Risk-Based Capital Requirement  
RIN 3133-AD77

Dear Mr. Poliquin:

Thank you for the opportunity to comment on the proposed changes to NCUA's regulations regarding prompt corrective action (PCA) and in particular the agency's proposed replacement of the current risk-based net-worth requirements with the new risk-based capital (RBC) requirements.

## **Why and Why Now?**

The Credit Union industry has just emerged from the recent recession, although not completely unscathed, but alive and well – and in far better shape than many of the other financial institutions. Further, during the recession, most credit unions continued to lend money, improve technology and upgrade facilities. Those facts indicate to me that the current capital standards in place are enough.

While we support requirements for credit unions to be strong financially, the risk-based capital (RBC) approach, compared to the bank's Basel III counterpart, is extremely aggressive, both in its corrective theory and rapid implementation. For instance, when Basel was implemented, the transition period was nine (9) years - the proposed RBC would take place in 18 months.

## **APCO Employees Credit Union's Initial Concerns:**

1. The RBC approach was developed without any feedback from the credit union industry.
2. The Risk Weight percentages are arbitrary. For instance, concerning interest rate risks, long term investments have really high weights and could be matched by long term deposits that are not recognized with this new approach.

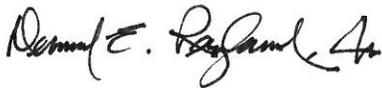
3. APCO is very concerned that even if a credit union is well capitalized at 10.5%, the examiner, under certain circumstances, will have the authority to impose on a case by case basis an even higher net worth ratio.

As we stated above, APCO Employees Credit Union supports a well-capitalized credit union movement, but we believe this proposed amendment needs improvement. If the goal is to bring our capital requirements more in line with community banks and in particular, more along the Basel standards, then this amendment must be reconsidered. Any final legislation should be developed with input from credit unions, leagues and trade associations and phased in over a number of years.

Again, thank you for the opportunity to comment and for your willingness to consider our views.

Sincerely,

APCO Employees Credit Union

A handwritten signature in black ink, appearing to read "Derrick E. Ragland, Jr.", with a stylized flourish at the end.

Derrick E. Ragland, Jr.  
Vice President and Chief Operating Officer