APCO EMPLOYEES CREDIT UNION
750 17TH STREET NORTH
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MAY 05'14 PM 1:37 BOARD

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

I am writing on behalf of APCO Employees Credit Union located in Birmingham, Alabama. The Credit Union serves employees and families of Alabama Power Company, Southern Company and several other select employee groups. The Credit Union has over 69,000 members and $2.464 Billion in assets. The Credit Union appreciates the opportunity to comment on NCUA's proposed Risk-Based Capital Rule.

NCUA has not adequately justified the necessity of a new capital rule and capital requirements. Credit Unions did not cause the economic problems of the last several years and have survived and even become stronger through the financial crisis. Natural-person credit unions funded the corporate credit union stabilization through assessments that could have been capitalized and yet still have continued to provide exceptional member value.

If the goal is to make credit unions stronger, this proposal misses the mark for several reasons. The risk-weight percentages are arbitrary and confusing. Risk weighting for mortgage loans are structured solely for credit risk issues and risk weighting for investments are structured only for interest rate risk possibilities. For example, a one-year ARM loan will have the same risk weight as a 30-year fixed rate mortgage. Also, an agency-backed security has basically zero credit risk yet in the proposal substantial risk weighting based only on the maturity of the investment.

Risk weights for consumer loans are confusing as well. Credit card and unsecured loans have the same risk weight as auto loans or other secured debt.

The proposed risk weight of 250% for CUSO investments is extreme. CUSO's provide necessary services and this proposal will discourage investment in those businesses.

Liabilities on the balance sheet are ignored. Core deposit lives, mix of deposits, time deposit structures, etc. are not included in the calculation. The principle of matching assets and liabilities is removed from this proposal. Credit unions that fund activities with deposits as opposed to borrowings have no advantage in the calculation.

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The most troubling aspect of this proposal is the Individual Minimum Capital Requirement (IMCR). An individual examiner having the discretion to determine a specific credit union as being "too risky" and requiring additional capital needs to be removed from the proposal. Credit unions cannot implement a business plan with uncertainty as to what capital requirements could be.

As with any new regulation, there are always unintended consequences. The consequences of this proposal certainly could be to restrict mortgage lending to members, profitable investment activity and reduce dividends – all decreasing the value each member receives.

Thank you for allowing comments on this proposal and considering our views.

Sincerely,

APCO Employees Credit Union

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Vice-President/Chief Financial Officer