NavyArmy
COMMUNITY CREDIT UNION

May 12, 2014

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

RE: RIN 3133-AD77

This letter is in response to the proposed Prompt Corrective Action – Risk Based Capital (RBC) rule. We have concerns over the rule's potential negative impact on Navy Army Community Credit Union (NACCU) and the industry due to the excessive risk weightings, the lack of clearly defined guidelines for requiring higher minimum capital ratios and the short timeframe for implementation of the rule.

Section 702.104(c)(2)

While we believe the rule will have little short-term impact on NACCU, the higher capital requirements will negatively impact NACCU's ability to serve members' business and real estate loan needs over the longer term. The risk weightings assigned to these loan types will require additional earnings to build capital or reduced lending activities. Either way this will cost members in the way of higher fees and interest rates and make affordable credit unavailable to them.

Overnight funds held at the Federal Reserve Bank should not be included with investments that have a weighted average life of less than 1 year and assigned a 20% risk weighting. There should be a separate category for these funds and they should be assigned a 0% risk weighting.

We believe that all of the risk weightings should be comparable to the FDIC's RBC rule so that capital requirements are consistent throughout the financial services industry.

Section 747.2006

We are also concerned with the agency's ability to require higher individual credit union minimum capital ratios without clearly defined guidelines. The FDIC's RBC rule provides detail on the types of activities or risk that would warrant higher capital levels and the steps that a bank would need to follow to meet those requirements. We believe the NCUA's final rule should provide more detail on when this provision will be implemented, the process a credit union will need to follow to comply with the additional capital requirements, and credit union options for appeal and relief from additional capital requirements.

The target compliance date of 18 months is too short of a time frame to fully analyze and implement the rule. We believe the compliance date for the risk-based capital minimum requirement should be extended.

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In addition, we noted that the FDIC's capital rule proposal for banks was issued in June, 2012, and made final in April, 2014, giving banks nearly 2 years to review the proposal. Banks are required to be in full compliance by January 1, 2019, a much longer compliance deadline than NCUA will require under this proposal.

We appreciate the need for adequate capital in the industry but believe it should be balanced against the potential negative impact on the industry and credit union members.

We appreciate your consideration of this matter.

Sincerely,

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