



May 12, 2014

MAY15'14 AM10:40 BOARD

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

RE: Comments on Proposed Rule: Prompt Corrective Action – Risk-Based Capital.

Dear Mr. Poliquin:

The St. Agnes Federal Credit Union serves the Baltimore, Catonsville and Arbutus, MD communities. We currently have more than 7,200 Members and \$45,000,000 in assets. We appreciate the opportunity to submit comments on NCUA's proposed rule *Prompt Corrective Action – Risk-Based Capital (RBC)*.

St. Agnes Federal Credit Union feels that this proposed rule is without merit. Furthermore, if the proposed rule is adopted, it will place an undue burden upon credit unions to comply. In fact, most affected credit unions would need to increase the amount of capital held in order to be "well capitalized," and would likely face burdensome risk weightings that would serve as a disincentive to continue or enter into member business loan programs, mortgage lending programs, and long-term investments, inevitably pushing members to our competitors.

Proposed risk-weights

A number of the risk weights, especially for member business loan and mortgage concentrations as well as for CUSO investments, do not appear to be properly calibrated for credit unions. They are even higher than what is being imposed on banks by the BASEL III changes. Using higher risk weights on long-term assets to deal with interest-rate risk is misleading without considering liability maturities and other mitigating factors.

Examiner discretion to change risk ratings

NCUA would assume additional authority to impose higher capital requirements on individual credit unions. Unlike under the existing statutory net worth rules known as Prompt Corrective Action (PCA) regulations, credit unions would no longer have clear rules to avoid prompt corrective action if the agency establishes its authority to use "judgment" on a credit union to make changes to risk ratings. This opens the door to inconsistent and arbitrary application. It would also diminish the role of the board and management in their

ability to make financial judgments and oversee policy. Our recommendation is to remove section 702.105(c) from the rule entirely.

Implementation Date

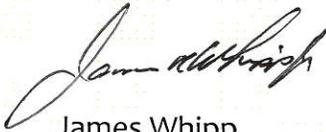
We also recommend that the proposed implementation date of eighteen months after becoming final be extended. This proposed time-frame does not give credit unions sufficient lead time to plan for and implement the new risk based capital ratio requirements. This is important as many credit unions may alter their balance sheet composition in response to the rule.

Conclusion

St. Agnes Federal Credit Union is requesting NCUA to carefully weigh our comments and consider withdrawing this proposal in favor of opening a new dialogue with the credit union community. At the very least, we urge NCUA to pursue the appropriate amendments to this rule that will ensure a viable, well-balanced risk-based capital system is implemented.

Thank you for the opportunity to comment on the proposed rule. If you should have any questions, please contact me at jwhipp@saefcu.org or at 443-844-3242.

Sincerely,

A handwritten signature in black ink that reads "James Whipp". The signature is fluid and cursive, with the first name "James" being larger and more prominent than the last name "Whipp".

James Whipp
President, St. Agnes Federal Credit Union
jwhipp@saefcu.org
443-844-3242