From: Jo Alvis
To: _Regulatory Comments
Subject: Prompt Corrective Action Risk-Based Capital Comment Letter
Date: Tuesday, May 20, 2014 6:50:06 AM

Dear Secretary of the Board Poliquin,

I am writing on behalf of ACIPCO FCU, which serves American Cast Iron Pipe Co. We have 7300 members and $140,600,000 in assets. ACIPCO FCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

While we acknowledge the need for risk-based capital (RBC) on the whole, the NCUA hasn't shown the current PCA system to be inadequate nor demonstrated any justification for the new rule. The NCUSIF has consistently performed well, even throughout financial crises, while the FDIC floundered. Yet the proposed risk-based system is more stringent than the system for small banks. Furthermore, this proposal clearly violates the Federal Credit Union Act by setting a higher risk-based component for well capitalized than that for adequately capitalized. Surely the NCUA cannot disregard nor manipulate the statute they are charged with enforcing.

An area of intense concern for ACIPCO FCU is that the proposed 10.5% RBC requirement is only the starting point. If credit unions, on an individual basis, can be forced to retain even higher capital, doesn't the 10.5% become the floor rather than the ceiling? Our credit union's high mortgage concentration, despite being comprised entirely of ARMs and having a delq ratio that has never been above 0.50%, has always been a point of contention for examiners. For this reason, we have little doubt that under the new rule we would be required to maintain additional capital; the only question is how much. The truly frightening aspect is there appears to be no limits, standards, or protocol, and the decision is at the discretion of the examiner. Further troubling is that the NCUA appeal process is completely ineffectual.

In summary, it would appear the NCUA is taking steps designed to fix a problem that doesn't exist. Sadly, these unnecessary precautions will be taken at our members' expense, as they will result in lower dividends and/or higher loan rates and fees. The NCUA might be reminded that its role is to manage the insurance fund, not to manage credit unions.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

Jo Alvis - COO
2525 Westminster Cir
Birmingham, AL 35242