

ALLEGANY COUNTY
 **TEACHERS**
Federal Credit Union

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May 20, 2014

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

Via e-mail: regcomments@ncua.gov

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

Dear Mr. Poliquin:

The Allegany County Teacher' Federal Credit Union serves the member-owners of the Allegany County Board of Education, Allegany College of Maryland, Local 453, United Trades, Students of the Allegany County School System and each groups immediate family members, as well as a few other small groups. We currently serve over 9,500 member-owners and have over \$97 million in assets. We employ 25 individuals and work hard to give back to the community in which we live. We appreciate being given a chance to submit comments on NCUA's proposed rule Prompt Corrective Action – Risk-Based Capital (RBC).

The Allegany County Teacher' Federal Credit Union feels strongly that this proposed rule is not in the best interest of the credit unions. 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 and mortgage lending programs, and long-term investments, inevitably pushing members to our competitors. You cannot tie our hands and expect us to prosper!

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.

Allegany County Teachers' Federal Credit Union is dedicated to fulfilling the needs of our member-owners by providing programs and services for individuals of all ages.

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. We all know that each examiner has their own “opinion” on different aspects of the credit union operation. It would also diminish the boards and management to make financial judgments and oversee policy. Our recommendation is to remove section 702.105(c) from the rule entirely.

Implementation Date

We are also concerned about the timeline regarding the implementation period proposed by the NCUA Board of 18 months after it has been finalized. The Federal Credit Union Act specifically states that credit unions can only raise capital through retained earnings. 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 proposed rule.

Conclusion

The Allegany County Teachers’ Federal Credit Union is concerned that you would even want to use the same weighting scale that the banks have when we are not a bank. Why would you want to treat us like, or worse than a bank? During the financial crisis, credit unions did not engage in the risky lending practices that lead to the crisis, and most credit unions, even after the NCUA’s stabilization “fees” were implemented, were able to remain well capitalized. Why do you find it necessary to change the rules to the game when we almost have the game figured out?

We are requesting that NCUA carefully weigh our comments and consider withdrawing these flawed proposals 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 patricia007@alcoteachersfcu.org and (301) 729-8015.

Sincerely,

Patricia I. Folk
President/Treasurer

Cc: Rep. John Delaney
Sen. Barbara Mikulski
Sen. Benjamin Cardin