A+ Federal Credit Union

May 23, 2014

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

Dear Mr. Poliquin:

A+ Federal Credit Union (A+FCU) appreciates the opportunity to comment on the National Credit Union Administration (NCUA) Board's Proposal to revise the Prompt Corrective Action rule related to Risk Based Capital. A+ FCU is a $1.1 billion federally-chartered credit headquartered in Austin, Texas with over 112,000 members that serves primarily the educational community. Although we generally agree with the concept of risk-based capital for credit unions, we have concerns regarding the provisions in the proposed regulations and the negative impact it might have on many credit unions and their members.

We are concerned with the difference that this Proposal creates between credit union risk measures and the Basel III standards for banks less than $15 billion. We believe that all assets should have the same risk weighting whether they are held by a bank or a credit union. Applying the current Basel III methodology to our balance sheet results in 12% more risk based net worth than in the proposed rule. This disparity does not seem reasonable given the significantly higher loss rates that have occurred at banks versus credit unions over the past several years. All of the following assets require higher risk weightings in the proposed rule than in the Basel III standards:

- Guaranteed residential mortgages
- Non-delinquent first mortgage loans if greater than 25% of total assets
- Other real estate loans if greater than 10% of total assets
- Member business loans if greater than 15% of total assets
- Agency-backed securities with greater than a 5 year average life

This disparity could put force us to make decisions regarding investing and lending that could impact our competitive position with banks that are evaluated under the Basel III standard.

The proposed rule regarding CUSO's risk rating does not take into account the inherent risk in the many different types of CUSO investments that a credit union might make. All are treated to a 250% risk weighting despite the nature of the CUSO activity or ownership structure.

The Proposal fails to recognize the lower risk of overnight liquidity deposits swept from a corporate credit union to the Federal Reserve and continues to assign a 20% risk rating despite the fact that there appears to be little risk in holding deposits at the Federal Reserve.

The Proposal allows the NCUA to establish higher minimum capital requirements for individual credit unions. Although the proposal does include some guidelines that can trigger higher limits for individual credit unions there are gray areas that will be subject to judgment of individual examiners. This could lead to uncertainly on the part of credit union management and Boards as to how the limits will be applied to their organization and lead to inconsistencies to how the rules are applied to different credit unions.

The Proposal seems to be attempting to address a very complex set of risks in a very simplified manner. We already address credit, concentration and interest rate risks using other tools and in some cases very complex analysis. Such analysis provides for complexity and judgment not addressed in this proposal. This proposal ignores other proven tools and methodologies used to quantify risk.

The Proposal excludes the NCUSIF deposit from both the numerator (capital) and the denominator (risk weighted assets) of the Risk Based Capital calculation. The implication being that this deposit has no value. We could understand this deposit having some degree of risk weighting in the RBNW calculation but do not understand the need to exclude it from both sides of the equation.

The 18-month implementation time included in the proposal does not allow for adequate time to make sound decisions for credit unions to respond to this new RBNW requirement. The five-year implementation period provide to banks in the Basel III standards seems much more reasonable.

We urge the NCUA to reconsider the content and parameters of this Proposal. As the Proposal currently stands it could restrict future credit union growth and force credit unions to make unnecessary changes to their structure for loans and investments in a very short period of time.

Sincerely,

Dennis L. Loftis
Executive Vice President/CFO
A+ Federal Credit Union