



Serving Our Members Since 1951

May 24, 2014

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

Dear Mr. Poliquin:

Please consider the following points of concern regarding the NCUA's proposed PCA-Risk-Based Capital rule. I understand you have received communications from many of our peers and the Credit Union Trade Organizations with similar concerns. Though there are many items for which I may not agree nor perhaps even understand fully, I have attempted to outline pieces of the proposed rule that most directly affect IAACU and the interests of our 15,000 members.

I believe the consensus among those involved in the Credit Union Industry is that of overall support of risk-based capital (RBC) but not in the manner currently proposed. We believe an appropriate reform of RBC would entail adjustments to basic leverage ratio requirements, access to supplemental capital, and more reasonable risk weights.

While the proposal would help identify the limited number of credit unions that are more in danger or failing (requiring them to hold more capital), it would result in many more healthy credit unions having to hold more capital than necessary because of how RBC would be applied under the proposal.

One issue most concerning within the proposal is the apparent ability of examiners to subjectively impose higher RBC requirements which would undermine credit unions' capital and strategic planning. Because of the overcapitalization that the proposal would require, credit unions would see their asset growth decline in order to strengthen the capital ratio.

Also, specific to IAACU, the proposal's risk weightings will limit the number of mortgage loans, to include those on which we retain servicing rights, due to the subjective weighting of mortgages and servicing assets. This will further limit our ability to generate the income needed to increase capital (net income) at the same time it limits our members' ability to obtain affordable mortgages loans.

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My last major concern relates to the proposal to exclude the 1% NCUSIF deposit in our capital calculation while offsetting assets by an equal, not proportional, amount. The effect of removing this much capital from our equation would severely deteriorate our capital position.

IAACU serves 15,000 members and manages \$213 million in assets. It is our desire to continue to provide value to our members through great rates, outstanding service, and convenience through leading edge technology. The proposed risk-based capital rule appears to limit our ability to provide value to our owners – please consider carefully the comments you receive on this rule in making appropriate revisions.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads 'T. Sean Wells'.

T. Sean Wells, CPCU, CLU, ChFC
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