



Alpena
Alcona
Area Credit Union

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May 27, 2014

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

Subject: NCUA Proposed Risk Based Capital Standards

Dear Mr. Poliquin,

Thank you for the opportunity to convey my comments on the proposed risk based capital requirements that will no doubt have a detrimental impact upon our credit union movement as a whole and our credit union's ability to deliver progressive financial services to our 27,180 owners with total assets equal to \$283,407,679.00.

Our Credit Union is most concerned with the proposed capital requirement that will be placed upon credit unions investing in Credit Union Service Organizations – CUSO's. Our credit union believes our industry must have the ability to invest in new CUSO opportunities in order to collaborate and partner with our fellow credit unions. CUSO partnerships that are necessary to drive operational efficiencies coupled with launching new and innovative services that will be essential should we wish to remain competitive in the future.

Placing a 250% risk weighting on our credit union's CUSO investments is not reasonable and will impede our ability to invest in future CUSO opportunities that will be essential to remain a relevant financial cooperative in the future.

In our particular CUSO that was created through the vision and collaboration of three partnering credit unions, Neighborhood Mortgage Solutions LLC, we established a limited liability corporation in order to limit our liability to the funds invested in this particular CUSO. We originally invested \$1,000,000.00 back in 2008 that has appreciated to a value equal to \$1,759,532.49 effective as of April 30, 2014. Our liability is limited to the current investment in Neighborhood Mortgage Solutions LLC or \$1,759,532.49 yet the proposed risk based capital regulation will require our Credit Union to appropriate \$4,398,831.23 according to the risk weighting for this CUSO investment alone.

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We have several other investments in CUSO organizations including CO-OP Financial Services, a third party vendor who provides our debit and ATM card processing services. Our CUSO investment in CO-OP Financial Services is equal to \$147,033.92 as of April 30, 2014 yet according to the proposal our risk weighting will be equal to 2.5 times this amount or \$367,584.83.

The passage of the proposed regulation in its current form will put the brakes on further collaboration and innovation that will be essential for our credit union industry to become more efficient and to be able to deliver the products and services that our owners will demand in the future.

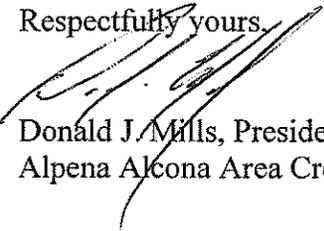
The proposal also includes a clause that will allow the examiner conducting our exam process to increase our credit union's individual risk based capital requirement based upon their subjective analysis of our balance sheet risk. This type of examiner discretion is unacceptable to our Credit Union and should be entirely removed from the risk based capital proposal.

Lastly, I would encourage the NCUA to take action to extend the comment period to allow our industry ample time to respond to the proposed risk based capital regulation. If an extension is not feasible perhaps an additional comment period should be announced. This important topic demands more time and greater attention to ensure that our industry fully understands the impact that the regulation will have upon our ability to provide financial services to our owners moving forward.

If you have any further questions please contact me at 989-354-1523 {direct dial}, 989-356-3577, extension 1523 or via e-mail at dmills@aaacu.com.

Thank you very much for reading my comments.

Respectfully yours,



Donald J. Mills, President & CEO
Alpena Alcona Area Credit Union