ALABAMA
teachers
CREDIT UNION

May 21, 2014

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

Subject: Risk Based Capital Proposal Comments

I am writing on behalf of Alabama Teachers Credit Union, which serves members who reside, work, or attend school in Calhoun, Cherokee, DeKalb, Etowah, or Marshall County in Northeast Alabama. We have almost 22,000 members with over $248 million in assets. Alabama Teachers Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

Alabama Teachers Credit Union has provided members opportunities to borrow money based on the long standing philosophy of the credit union movement. Members helping members receive loans for low rates where they could not get loans at other financial institutions. The proposed rule would limit the credit union's ability to offer these same loans to members. The proposed risk based capital would restrict the credit union from offering a variety of loans due to the risk weighting proposed in the new rule. As the economy changes, more complex financial instruments are necessary to support the member and business needs. The flexibility of these instruments is vital for the long term strategic plan for many credit unions that have maintained well capitalized positions.

Credit unions have succeeded for many years based on the existing legislation. There have been failures in the industry, but this is based on management decisions for a select few credit unions. Overall, many credit unions have supported millions of members and have improved financially with the existing legislation.

Alabama Teachers Credit Union has increased capital levels over the years by offering and maintaining different risk levels in the loan portfolio. The ALM process has guided the credit union with the balance of risk in the portfolio. The existing regulation for ALM allows the credit union to offer products to members and gives them a great alternative to banks and other financial institutions. The higher capital requirement in the proposed rule would limit successful credit unions and overall reduce the credit unions ability to earn a fair rate to the member and credit union. The proposed capital limits seem to be designed for the failing credit unions to limit opportunities and reduce losses to the insurance fund. This is a penalty to the successful credit unions that are managing the portfolio and reserving adequate funding for any type of losses.

The credit union does not think that the risk weighting for different loans and investments are fair. The risk weighting calculation for MBLs, mortgage loans, long term investments, and CUSO investments does not include the skill sets of the staff who manage these portfolios. We understand that these can be riskier than the traditional short term car loans, but the risk has to also include the experience and knowledge of the staff that are maintaining the portfolio. An overall proposed risk weighting for every credit union does not support the members in certain areas due to the complexity of the economy. The proposed risk weighting should be different by region, experience of the staff, credit union financials, and ALM process.

Board of Directors has the responsibility of making sure that the credit union has the financial ability to pay dividend to the members for the money that they save. They do this by employing staff that manage the financial affairs of the credit union. The restriction of dividend payments should not be limited by regulation. This decision should remain with the Board of Directors.

Since credit unions have to build capital by increasing income, there should be adequate time given for credit unions to build additional capital prior to implementation of any new capital regulation. The proposed risk based capital does not give credit unions adequate time to work on capital. As you know, credit unions cannot receive capital like banks. We do not have the ability to add investors which limits credit union's capacity to increase capital in short periods. If the proposal is approved, it will not give credit unions opportunities to change strategic plan and models to support the new proposed rulings. This will have a negative impact to millions of members around the country.

In summary, the credit union industry has been in place for many years to support members in their financial needs. Credit unions have been vital in the overall financial stability of many local economies and did not use government money in the recent recession unlike many banks. Credit unions which are managed properly by the Board of Directors and management are successful and service many Americans on a daily basis. New proposals that are not justified for all credit unions will limit lending efforts in many areas that are not profitable for banks and restrict people from getting funding they need to prosper. Restricting successful credit unions will cause many Americans to be underserved which will impact the overall economy in a negative way.

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

Sincerely,

Jeff Napper, CFO