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The Honorable Gerard Poliquin
Secretary of the Board
National Credit Union Administration
Regcomments@NCUA.gov
RIN 3133-AD77

Re: Prompt Corrective Action – Risk –bases Capital

I appreciate the opportunity to comment on the National Credit Union Administration (NCUA) proposed rule "Prompt Corrective Action – Risk-Based Capital". I work for a $420 million dollar Credit Union with 45,000 members, and headquarters in Chesapeake VA.

I commend the NCUA's efforts to enforce strong capital requirements within the credit union industry. However, there are certain aspects within the proposal that would likely put the industry at a disadvantage.

This regulation as proposed treats all credit unions as if they were all bad players without regard for their size, the level of experience within the organization and most importantly the past performance during difficult times.

To begin, for risk-based capital to be implemented correctly it must be part of overall capital and prompt corrective action reform. This should include lower leverage ratios for well and adequately capitalized credit unions, as well as authority for supplemental capital for federally insured credit unions. **T**here is no law or regulation that prevents supplemental capital from being considered for all credit unions. This regulation is an excellent opportunity for NCUA to draft and put into the final regulation the guidelines and specifications for credit unions to supplement their capital with subordinated debt or some other conservative capital building option.

Additionally, I believe the risk based capital requirements should be in relation to the adequately capitalized, 6 percent net worth ratio (as the Federal Credit Union Act requires), and not to the well capitalized level of 7 percent -- and risk weightings must be properly calibrated.

Most importantly, no rule should afford any greater authority for an individual examiner to impose additional capital requirements on a case-by-case basis. **.** It is absolutely essential that credit unions understand clearly what their capital and net worth expectations will be.

Under this proposal, an examiner can increase a credit union's individual risk-based capital requirement subjectively during an examination based upon his or her determination of the need for additional capital versus the balance sheet risk.

Finally, the effective date of the final rule implementation should be end of year 2018. Once the regulation is final credit union earnings will have to be balanced with the risk weighting of the assets. Some investments will have to be shortened. Some loans will have to be divested - or at least the position in those loan categories adjusted. Credit unions need a minimum of three full years to prepare for this regulation once it is finalized.

The direct impact on my Credit Union is:

- ABNB Federal Credit Union would remain well capitalized in the proposed system, but it's capital cushion would shrink.
- ABNB Federal Credit Union would see its cushion over well capitalized shrink by a total of $3,098,703 if the proposal were in effect today.
    - ABNB Federal Credit Union now has a cushion over well capitalized equal to 541 basis points on total assets.
    - Under the proposal, the cushion over well capitalized would decline to 465 basis points on total assets.
    - The proposal, if adopted, would thus cause a -76 basis point change in your credit union’s cushion over well capitalized levels.
    - As a point of reference – ABNB Federal Credit Union earned 123 basis point ROA in 2013.

Thank you for the opportunity to comment on this proposed regulation. I support the efforts of NCUA to pursue a balanced risk-based capital system that requires additional capital of higher risk credit unions and rewards those credit unions with proven risk management skills. I do not believe the current proposal is balanced and should be withdrawn if it is not changed. I encourage NCUA to consider some of the recommended improvements to the proposal.

Sincerely,

Anthony M. Duncan