From:	Greg Olmsted
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Wednesday, May 28, 2014 11:00:08 AM

Dear Secretary of the Board Poliquin,

I am Greg Olmsted, President/CEO of North Alabama Educators Credit Union which is located in Huntsville, Alabama. On behalf of our 9,820 members and board of directors, I wish to communicate several concerns with the proposed rule, Prompt Corrective Action - Risk-Based Capital (RBC).

At roughly $84 million in total assets we would fall under the proposed rule. The online NCUA calculator for the proposed rule would move this credit union from a "well-capitalized" credit union to a "adequately capitalized" category with a RBC ratio of 9.85%. The new standard for achieving the "well-capitalized" rating under the proposed rule is now 10.5%.

Certainly we are concerned by this overnight downgrade in our net worth. Yes, there is a proposed 18-month period to work with but the question that begs to be given is why the need for a change? Credit unions as an industry have weathered the economic downturn well without the need for government bailouts as was seen in the banking community. Credit unions funded the corporate credit union losses without the need for taxpayer assistance. Credit union net worth in general continues to rise today. This question needs to be considered: Has the existing RBC rule and calculations caused any credit unions to fail or avoid scrutiny from the NCUA as a risk to the insurance fund? Honestly answering that question should be the determining factor on if a new RBC rule is even necessary.

The new RBC rule also has some inconsistencies. The net worth ratio difference for "well capitalized" versus "adequately capitalized" is 16.66%, while there is a larger 31.25% difference in the RBC ratio requirements for "well capitalized" versus "adequately capitalized". Using a similar RBC ratio difference to the net worth difference, the required minimum RBC ratio for a "well capitalized" credit union should be closer to 9.5%.

The risk weighting figures for various balance sheet categories does not seem to adequately correspond to potential risk. How does the risk of mortgage loans (0-25% of assets) equate to 1/3 the risk of a 5.5 year Certificate of Deposit investment? It also doesn't make sense that our one CUSO investment in CO-OP Shared branching has a 1.5 risk factor, again 3 times the risk weighting of a 20-year mortgage loan.

Excluding the NCUSIF balance from the calculated numerator also does not make any sense. The NCUSIF is the "rainy day" fund for troubled credit unions and represents capital set aside to provide a safety net for credit union losses. The NCUSIF deposit came from the credit union. In our case, including that $744,225 would raise our RBC ratio to 11.2%.

To summarize, in my opinion the need for a new RBC rule is highly questionable. The NCUA already knows now which credit unions require closer scrutiny. A new RBC calculation is not going to change that. If the RBC calculations must be changed, I would ask that the risk weighting factors and RBC category minimums be revised from the proposed rule. As stated above, the RBC ratio requirement of 10.5% is too large of a difference from the 8% "adequately capitalized" minimum figure.

I do appreciate the purpose of the NCUA in protecting the deposits of consumers. Credit unions share that same objective. I also appreciate the opportunity to share these thoughts with the agency as part of the rule-making process.

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Sincerely,

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