ARC
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Dear Secretary of the Board Poliquin:

I am writing on behalf of ARC Federal Credit Union, which serves over 11,000 members and has an asset size of $69 million. ARC Federal 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.

NCUA's proposed Risk-Based Capital regulation seems to attempt to arbitrarily account for and ultimately avoid any type of risk by requiring excessive amounts of capital. This focus toward capital accumulation will adversely affect our membership by shifting focus from low-cost, quality services to income generation.

ARC Federal Credit Union has remained well capitalized through one of the worst economic crisis that our country has ever faced. In addition, the credit union industry has proven that it can weather severe adverse economic conditions while remaining well-capitalized and continuing to serve its memberships. Thus the proposed risk based capital requirement does not seem to be justified.

Combining multiple risk areas (credit risk, interest rate risk, concentration risk) into one "all encompassing" risk based calculator is not feasible and will unfairly represent risk and severely hinder the operations of many credit unions. Credit risk should continue to be monitored through delinquency reports and allowance for loan loss calculations, interest rate risk through NEV calculations, and concentration risk through the credit union's concentration risk policy and limits.

The risk weightings for long term investments seem extreme and unwarranted. The proposed regulation attempts to build in interest rate risk while ignoring credit risk (i.e. insured CDs and government backed agency bonds). Capital requirements should be primarily based on asset quality and allow its Asset Liability Management (ALM) and NEV limits to regulate interest rate risk, similar to BASEL III's risk weightings.

The 18-month timeframe to comply with this proposed regulation is too short. Many credit unions, including ARC Federal Credit Union, will need to either restructure their balance sheet or increase capital in order to remain "well capitalized." This timeframe may force many credit unions to make rash decisions at the expense of earnings in order to comply on time.

ARC Federal Credit Union believes that this proposed regulation is unwarranted and will constrain growth while giving a large competitive advantage to our competition, "the banks."

Thank you for your consideration.

Steve Dalecki
COO