AFFINITY PLUS
FEDERAL CREDIT UNION

April 8, 2015

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

Re: Revised Risk-Based Capital Proposal

Dear Mr. Poliquin:

On behalf of the Board of Directors of Affinity Plus, and in representation of the 180,000 members we serve, and 500 individuals we employ, please accept this letter as our response to the National Credit Union Administration's (NCUA's) revised Risk-Based Capital Rule (RBC2) proposal.

Affinity Plus did comment on several aspects of the initial Risk-Based Capital proposal in 2014, and we commend the NCUA for its work to address many of our original concerns. We are especially appreciative of the committee's decision to remove interest-rate risk and the individual minimum capital requirement, as well as reduce the threshold for well-capitalized and extend the implementation timeline.

At the time of the NCUA's initial proposal and based upon Dec. 31, 2013, financial reports, Affinity Plus was one of the 189 credit unions which would have experienced a decline in its Prompt Corrective Action (PCA) classification from well-capitalized to adequately-capitalized. Since that time we have made numerous changes to our business model and would currently maintain a well-capitalized classification under either proposal.

Nevertheless, we do wish to express our observations and reservations in regards to the revised proposal:

- We believe universally applied risk weights fail to account for management expertise and create distortions in the pursuit of lending opportunities and balance sheet composition. Notably, the low relative risk weights assigned to many of the investment categories

175 West Lafayette Frontage Road
St. Paul, MN 55107
Phone (651) 291-3700
Fax (651) 312-6252
www.affinityplus.org

NCUA

AFFINITY PLUS
FEDERAL CREDIT UNION

Notably, the low relative risk weights assigned to many of the investment categories may act to deter loan growth and increase the reliance on fees paid by members.

- We feel a single risk weight assigned to each class of loan fails to account for other risk-mitigating factors such as credit, debt-to-income, debt-service-ratio or loan-to-value on securitized loans.
- We are concerned with the ability and costs associated with proving historic compliance with the Consumer Financial Protection Bureau's Ability to Repay (ATR) rule, which according to the new rule would be imposed retroactively on a credit union's existing residential real estate portfolio.
- We feel the higher risk weights assigned to larger concentrations in first and junior lien residential real estate, as compared to our bank counterparts, is an unjustified attempt to highlight a single contributing factor to the recent financial downturn.
- We feel a capital allocation required for cancelable off-balance sheet items, such as open-ended loans and credit cards, is excessive and can be better managed through scenario and stress testing than through required capital allocations.

Specifically in regards to Interest Rate Risk (IRR), we believe the current rule (12-CU-11) to be sufficient, and we strongly oppose the inclusion of IRR measures within the PCA framework. We believe the proposed use of a heavily assumption-dependent measure, such as percent change in Net Economic Value (NEV), as a means to classify a credit union's capital risk position is misguided. Rather, we believe the most effective means to manage IRR is through an individualized conversation between credit union management and NCUA field examiner during the examination process.

We appreciate the NCUA's openness and willingness to listen to feedback regarding RBC2. Affinity Plus is of the belief that risk-based capital does have a place in a modern capital system; however, we also believe current authorities are sufficient to manage the risks to the NCUSIF.

If you have any questions or comments, please do not hesitate to contact me at (651) 312-9262.

Sincerely,

Dave Larson
President/CEO
Affinity Plus Federal Credit Union
Charter: 24362

175 West Lafayette Frontage Road
St. Paul, MN 55107
Phone (651) 291-3700
Fax (651) 312-6252
www.affinityplus.org

NCUA