RBFCU

April 15, 2015

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

RE: Comments on Proposed Rule: Risk- Based Capital; RIN 3133-AD77

Dear Mr. Poliquin:

On behalf of Randolph-Brooks Federal Credit Union (RBFCU), this letter is being submitted in response to the NCUA's Proposed Rule with Request for Public Comment regarding amendments to the annual privacy notice requirement under the Gramm-Leach-Bliley Act (GLBA). We are generally supportive of the proposed amendment, but would like to respond to some of the requests for comment and also offer some suggested revisions.

We would like to thank you for reading and instituting many of the original suggestions from our April 15, 2014 comment letter. We do, however, have a few follow up concerns that should be considered.

Capital Adequacy

We have ongoing concerns about the "one size fits all" approach of the regulation. While we appreciate the NCUA's revision that increases the size of those credit unions defined as complex credit unions, we still believe that it is not realistic to treat all credit unions with over $100 million in assets the same. The regulation does not consider the operational differences between credit unions above $1 billion and smaller credit unions. The opportunities and challenges of a $100 million dollar credit union are dramatically different than that of a $10 billion dollar credit union. We would like to propose at least two size classifications.

Authority

We are also concerned about the legal implications of having two distinct measures for prompt corrective action. The traditional net worth calculation has the benefit of being codified in statute. The new risk-based capital calculation does not. If a credit union is compliant with the net worth requirements under the law, it seems inappropriate for a risked based capital deficiency to initiate prompt corrective action. It would appear that the two standards don't have the same weight under the law.

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Risk Weights

We also think there should be further division in the capital treatment for loans of a credit union based on their historic credit performance. We would like to see some capital credit given to those institutions with a proven track record of credit and underwriting performance. Perhaps, cut the capital charge by 50% if your historical charge off over the last five years is below 1% and by one third if it is below 2% for the same period.

Our other specific concerns generally focus the disparity of some of the risk measures and operational anomalies.

- We continue to be concerned about the adverse capital treatment of the Mortgage Servicing Rights (MSRs). Given that the market value of the MSRs move in the opposite direction of the real estate portfolio, and may provide a natural hedge; it is unclear why MSRs are penalized. In fact an institution could utilize the right mix of MSRs and held mortgages to insulate the entire mortgage section of their balance sheet from the effects of a rate rise. In addition to that, the Wall Street Journal reported in March 2014 that many large banks are exiting the mortgage servicing business based on the Basel III capital requirements. As the article indicates, much of the servicing is moving to faceless hedge funds, which do not serve the best interest of credit union members.

- We also have a few concerns about the capital treatment of assets utilized to prefund benefit obligations. It appears on this latest version of the regulation, prefunding assets would default to a capital risk weighting of at least 300%. Since the assets are limited to 25% of total equity and are used to fund a long term expense, we feel that this level would be excessive as it equates to twice the capital charge of a defaulted loan. Operationally, the new risked-based calculation includes the market value of these assets in the denominator without adding back the available-for-sale (AFS) gain or loss to the numerator. Consistency would dictate either using book value in the denominator or include the AFS gain/loss in the numerator.

- Another operational issue is the inclusion of accrued interest receivable in other assets. We suggest that you add an “accrued interest” line to each asset category or exclude altogether. As it is currently promulgated, a U.S. Treasury security would have a zero percent risk weighting while the credit union would have to hold 100% capital for the accrued interest waiting to be paid in the next six months or less.

We hope that our concerns will lead to a better, more competitive regulatory structure that will allow the credit union movement to continue to advance. We appreciate the complexity of the regulatory task of the NCUA, and we appreciate the opportunity to comment on the proposed regulation.

Sincerely,

Christopher W. O’Connor	Robert Zearfoss	Bruce Clark
President and CEO	EVP – CFO	VP – Investments