



# Alpena Alcona Area Credit Union

---

Toll Free 1-800-443-3577

[www.aaacu.com](http://www.aaacu.com)

April 24, 2015

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

Subject: NCUA's Risk Based Capital (RBC2) Standards

Dear Mr. Poliquin,

Thank you for the opportunity to convey my comments on the proposed risk based capital requirements or RBC2 that will no doubt have a negative impact upon our credit union movement as a whole and our credit union's ability to have the resources necessary to innovate and deliver progressive financial services to our 27,353 owners with total assets equal to \$298,003,345.16 as of March 31, 2015.

The Credit Union industry has weathered the storm of one of the most severe financial disasters that our nation has ever had to endure since the Great Depression. We posted positive growth in several key operating areas and most importantly partnered with our owners and our communities to work through some difficult financial times. We remain committed to our cooperative principles and deliver products and services that are so essential to our owners during difficult financial times. This track record in itself demonstrates that further capital requirements are unnecessary and will only lead to our industry having fewer resources to invest in our owners. The financial marketplace is evolving at lightning speed and it will be essential that our cooperative movement is able to innovate and have the necessary resources to invest in order to remain relevant.

Our Credit Union is also still very concerned with the proposed capital requirement that will be placed upon credit unions investing in Credit Union Service Organizations – CUSO's. Our credit union believes our industry must have the ability to invest in new CUSO opportunities in order to collaborate and partner with our fellow credit unions. CUSO partnerships that are necessary to drive operational efficiencies coupled with launching new and innovative services that will be essential should we wish to remain competitive in the future.

---

1100 South Bagley PO Box 515 Alpena, MI 49707 (989) 356-3577	1013 US 23 North PO Box 858 Alpena, MI 49707 (989) 356-3577	12285 Jerome St. PO Box 633 Atlanta, MI 49709 (989) 785-3800	111 South Church St. PO Box 58 Lincoln, MI 48742 (989) 736-8912	103 South State St. PO Box 279 Oscoda, MI 48750 (989) 739-9103	11610 US 23 South PO Box 84 Ossineke, MI 49766 (989) 471-2332	118 West M 55 PO Box 250 Tawas City, MI 48764 (989) 362-7980
---	--	---	--	---	--	---

Placing a 150% risk weighting on a number of our credit union's CUSO investments is not reasonable and will impede our ability to invest in future CUSO opportunities that will be essential to remain a relevant financial cooperative in the future.

Our credit union's CUSO was based upon the premise to provide access to the secondary mortgage market to a credit union of any asset size and to those credit unions that are not able to afford the human resource expertise necessary to deliver a mortgage program. Our CUSO is extremely proud of our accomplishments especially in providing a valuable service to small asset sized credit unions. Our CUSO was created through the vision and collaboration of three partnering credit unions, Neighborhood Mortgage Solutions LLC, we established a limited liability corporation in order to limit our liability to the funds invested in this particular CUSO. We originally invested \$1,000,000.00 back in 2008 that has appreciated to a value equal to \$1,842,658.55 effective as of March 31, 2015. Our liability is limited to the current investment in Neighborhood Mortgage Solutions LLC or \$1,842,658.55 yet the proposed risk based capital regulation or RBC2 will require our Credit Union to appropriate 150% or \$2,763,987.83 according to the risk weighting for this CUSO investment alone. The LLC business structure limits our credit union's overall risk to the amount of the investment into the CUSO.

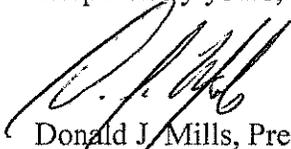
I also believe the 250% risk weighting for mortgage servicing rights, which is unchanged from the NCUA's original proposal, is still too high and should be lowered to a more appropriate risk weighting.

I believe the passage of the proposed RBC2 regulation in its current form will put the brakes on further collaboration and innovation that will be essential for our credit union industry to become more efficient and to be able to deliver the products and services that our owners will demand in the future. Our access to capital moving forward is critical and should not be further constrained by an unnecessary regulation requiring credit unions to set aside even more of our owner's resources.

Lastly, I would like to thank the NCUA for the opportunity to hear my comments on this important issue. I strongly believe that this proposal is unnecessary and would encourage the NCUA to withdraw the RBC2 proposal. Our industry is strong and has demonstrated its ability to persevere during both good economic times and most importantly during the most difficult of economic times. At the very least this proposed regulation needs further examination so we truly understand the impact that such a proposal will have upon our Credit Union industry and our ability to provide affordable financial services to the communities that we serve.

If you have any further questions please contact me at 989-354-1523 {direct dial}, 989-356-3577, extension 1523 or via e-mail at [dmills@aaacu.com](mailto:dmills@aaacu.com).

Respectfully yours,



Donald J. Mills, President & CEO  
Alpena/Alcona Area Credit Union