**Angie Owens**
President & CEO

American Airlines
Credit Union

Sent via regcomments@ncua.gov

April 24, 2015

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

Re: Proposed Rule – Risk Based Capital – RIN 3133-AD77

Dear Mr. Poliquin:

My name is Angie Owens and I am the President and CEO of American Airlines Federal Credit Union (AAFCU). AAFCU is a federally chartered credit union headquartered in Fort Worth, Texas, with approximately $5.6 billion in assets and more than 248,000 members located throughout the United States. AAFCU prides itself in its well-capitalized classification and significant organizational focus on regulatory compliance.

I appreciate the opportunity to comment on the National Credit Union Administration's (NCUA) proposal which suggests replacing the agency's current risk-based net worth requirements with new risk-based capital requirements for federally insured "natural person" credit unions (Proposal or Proposed Rule).

AAFCU is very concerned about the adverse impact that the Proposed Rule would have as we believe there is not a demonstrated need for a wholesale replacement of today's risk-based net worth model.

**Proposed Rule Will Result in Additional Compliance Burden and Costs with Limited Risk Mitigation Benefit**

AAFCU believes strongly in the need for appropriate capital reserves, suitable regulatory guidance and risk-based supervision to ensure a safe and sound credit union industry. We believe that the shared goals of a safe, sound, competitive and member service oriented credit union industry can be met with an update to the existing model rather than the introduction of a new and unnecessarily complex model. Given the overwhelming

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compliance burdens placed on natural person credit unions today, such a far reaching and complex rule at best results in an unnecessary distraction, and could likely result in credit unions being placed at a competitive disadvantage to other regulated and non-regulated providers of financial services. As described by the agency, the Proposal will result in only a small number of credit unions having a reduced net worth classification, including some but not all of those institutions identified as "outliers" by the agency. However, to achieve suitable risk mitigation for this small group of credit unions, the Proposal would subject the majority of the industry to a complex and expensive new rule, more call report changes and years of uncertainty as the agency rewrites its software, examination procedures and monitoring practices. The cost for all of these changes would be paid for by the credit union industry and its members.

**Consistency of Approach Does Not Recognize Credit Union Industry's Uniqueness**

In addition to the unnecessary regulatory burden, and millions of dollars in costs which must be borne by the industry and its members, the Proposal itself forces regulatory techniques intended for large, complex banks onto the credit union model in an attempt toward consistency.

The summary to the Proposed Rule, states that the "proposed risk-based capital requirements would be more consistent with the NCUA's risk-based capital measure for corporate credit unions and the regulatory risk-based capital measures used by ...[o]ther Federal Banking Regulatory Agencies."

This stated goal of consistency as an objective and articulated at various points in the Proposed Rule does not take into account key differences between natural person credit unions and those other entities. When compared against the stresses of the Great Recession, natural person credit unions overall performed better or significantly better as compared to corporate credit unions and banks in terms of delinquency/charge-off rates, volume of problem institutions, number of insolvencies and dollar costs to their respective insurance funds. These are not areas where greater consistency is desired.

In addition, the Proposed Rule does not take into account the various additional options banks and bank holding companies have for raising capital which are above and beyond the limited options available to natural person credit unions. The recently published 2013 white paper from the agency discussing potential changes to the National Credit Union Share Insurance Fund is another recent example of consistency for consistency sake without a qualitative and quantitative analysis supporting why changes to conform to a retail banking industry model are necessary or desired.

American Airlines Credit Union

**A Better Way**

While we share the goal of the NCUA and the industry for a well-defined, well understood risk based framework for the determination of the appropriate level of capital, the Proposal as issued appears both unnecessary in breadth and unlikely to result in a betterment of the industry's competitive position or ability to withstand future economic stresses.

We appreciate the work of agency staff throughout the process, most recently reflected in their diligent and careful review of the initial set of comment letters. The improvements to this Proposal in the areas of risk weighting, separation of credit and interest rate risk and removal of the individual minimum capital requirements were all recognized.

In the absence of a suitable analysis supporting its intended benefits and weighed down by costs, an uncertain legal opinion and undue complexity, we recommend the agency withdraw the Proposal. We recommend the agency review, streamline and clarify existing regulations and guidance over the area(s) that are of concern and tailor the examination approach to align examination resources to match those areas of risk in the institutions where a heightened level of risk is believed to exist.

In a time of overwhelming regulatory demands, increasing competitive pressure from both regulated and un(der)regulated entities, we respectively request the agency to reconsider negatively impacting the credit union industry and the millions of Americans who depend on it with an unproven and unnecessarily complex and expensive regulation.

Thank you for taking the time to review our comments. We have great appreciation for the knowledgeable and professional staff of the agency and its shared desire to ensure a safe, sound and competitive credit union industry for the members who depend on credit unions for their financial needs.

If you have any questions, please contact me.

Sincerely,

Angie Owens

Angie Owens
President & CEO
American Airlines Federal Credit Union

cc: CUNA
NAFCU
Cornerstone League