April 27, 2015

To: regcomments@ncua.gov

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

RE: Comments on Revised Proposed Rule: PCA - Risk-Based Capital

Dear Mr. Poliquin:

Aberdeen Proving Ground Federal Credit Union (APGFCU) appreciates the opportunity to comment on the National Credit Union Administration (NCUA) Board's second proposal to revise Prompt Corrective Action related to Risk-Based Capital. APGFCU serves Harford and Cecil counties with 111,000 members and $1.1 billion in assets. We would like to thank the NCUA for listening to the first round of comments and modifying the proposed rule to include adjusting many of the risk weights, removing the cap on the Allowance for Loan Losses, and removing the individual minimum capital requirement.

We still agree that revisions of the current net worth risk requirements may be necessary so that credit unions with excessive risk in their balance sheets are properly identified. However, we believe even the revised Proposed Rule could have negative effects on APGFCU members and our business strategy. This proposal could impact our current business model specifically as it relates to our consumer lending strategies. These changes may negatively impact the member experience and make the credit union less competitive with competing financial institutions.

APGFCU is asking the NCUA to consider our comments which are outlined below:

1. **The NCUSIF deposit should not be deducted from the risk-based capital numerator.**

The National Credit Union Share Insurance Fund 1% deposit is being ignored in the risk-based capital calculation. The NCUSIF deposit is a valid asset that can be refunded for various reasons including conversion to a bank or savings institution charter, and a credit union electing private insurance or voluntary liquidation. In addition, the deposit can specifically be attributable to a failed credit union providing an additional buffer against NCUSIF losses in addition to the failed credit union's capital. If a credit union did convert to a bank charter the NCUSIF deposit would immediately be included in the risk based capital numerator. **APGFCU recommends not deducting the NCUSIF deposit from the risk-based capital numerator.**

2. **The risk weight for mortgage servicing assets (MSAs) should be reduced under the Proposed Rule.**

Rising interest rates and the potential negative impact on credit union earnings, is a major concern to the NCUA. APGFCU has been selling fixed rate mortgage loans with a term greater than 15 years in excess of our cap to reduce interest rate risk in the balance sheet. The value of our MSAs will increase in a rising rate environment as prepayments slow and the average life on the sold mortgages extends. We also realize that MSAs become impaired when interest rates fall and borrowers refinance or prepay their mortgages; however, in a low interest rate environment, this impairment is typically offset by increased gains on the sale of mortgages as occurred at APGFCU during the last several years. **We believe a 250 percent risk weighting on MSAs is too high and creates less incentive to build the servicing portfolio, which helps protect the credit union's earnings in a rising rate environment.**

3. **Eliminate the requirement in the new proposal that a covered credit union must maintain capital commensurate with the level and nature of all of its risks and must have a process to determine its capital adequacy in light of its risk and a comprehensive written strategy to maintain "an appropriate level of capital."**

APGFCU is concerned that this proposed requirement could subject a credit union to higher capital requirements than what the final rule might dictate. Additionally, this discretion could lead to unfair and inconsistent interpretation and application of the Rule by examiners. **We believe this requirement to maintain capital commensurate with the level of all of the credit union's risk is too subjective and exposes credit unions to individual examiner's interpretations and therefore, should be eliminated from the final rule.**

4. **APGFCU believes the current Interest Rate Risk (IRR) rule is sufficient and we oppose inclusion of IRR measures within the PCA framework.**

Attempting to apply a standardized rule for measurement of interest rate risk to the masses may result in the unique risks of individualized credit unions not being detected. **Therefore, we believe that an additional IRR regulation is not warranted.**

APGFCU is respectfully requesting NCUA to carefully weigh our comments and to pursue the appropriate amendments to this rule. This will ensure a viable, well-balanced risk-based capital system is implemented.

Thank you for the opportunity to comment on the Proposed Rule and for listening to APGFCU's concerns. Please feel free to contact me with any questions or comments regarding our comments on the Proposed Rule.

Sincerely,

Carol L. McBrien
Senior Vice President of Finance/Chief Financial Officer