



April 27, 2015

Mr. Gerard Poliquin
Secretary to the NCUA Board
1775 Duke Street
Alexandria, VA 22314

Dear Mr. Poliquin:

On behalf of Tulsa Federal Credit Union, I would like to provide the following comment letter, for the official record, regarding the National Credit Union Administration (NCUA) revised proposed rule governing risk-based capital approved by the NCUA Board in January 2015. We appreciate the opportunity to provide our thoughts on this very important regulatory proposal and to express some of our concerns about the negative impact the proposed rule would have on credit unions if finalized in its current form.

General Comments

As we indicated in our comment letter on the originally proposed risk-based capital rule, we support the development of a system/process to accurately assess the risk that a credit union has on its balance sheets. There is no doubt that the current "one size fits all" approach fails to measure the risk profile of the individual credit union adequately. Indeed, history has shown us that those credit unions who choose to be involved in more risky initiatives, without adequate capital to support those initiatives, can be catastrophic for that particular credit union. Likewise for the entire industry through losses to the National Credit Union Share Insurance Fund (NCUSIF).

We are pleased to see that the revised proposal addresses many of the issues which we and many other credit unions raised. While there are many revisions from the originally proposed rule, we specifically would like to applaud the NCUA Board for the following:

1. Moving the effective date to January 2019 – Extending this date ensures that ample time exists for impacted credit unions to make the necessary changes to their operations and/or balance sheet to comply with this new rule.
2. The removal of the one-size-fits-all interest rate risk standard and the appropriate risk weighting of the inherent credit risk of investments - Due to the potential varied complexities of each credit union's individual balance sheet, it makes sense that the oversight of interest rate risk should be a part of the NCUA's credit union examination process. Establishing investment risk weights that are based on the

credit risk profile of the investment versus the potential impact to interest rate risk is consistent with the purpose of the rule.

3. An established and unmovable risk-based capital ratio – To be able to effectively manage the risk-based capital this is essential. Therefore, we were pleased that the revised rule eliminates the ability for an examiner to arbitrarily (and it will indeed be considered by credit unions to be arbitrary, regardless of the justifications cited by the examiner) require a higher risk-based capital ratio when the credit union had already met the requirement.
4. The elimination of the cap on the amount of Allowance for Loan Losses and Leases that can be included in the risk-based capital calculation - Including these funds in the calculation, which have already been set aside to address the anticipated risk of loan losses, provides for a more balanced approach to the determination of risk-based capital.

Risk-Based Capital Ratio

We are hard pressed to envision a reasonable scenario where one can compare the risk profile of the banking industry to the credit union industry and come away with the opinion that the balance sheet of most credit unions has a greater risk than that of a bank. Compared to the banking industry's five percent Tier 1 leverage requirement, we believe our industry's statutory established current seven percent net worth requirement is already more than necessary. The higher net worth requirement, combined with the regulatory and legal limitations that restrict credit unions from some of the riskiest types of lending and investments that are permissible at other financial institutions, would seem to indicate that whatever risks are on a credit union's balance sheet are more than adequately covered. Due to this, not only do we continue to question the need for the entire rule but we believe that the well-capitalized risk-based capital ratio should be lowered further.

Although the revised rule lowered the well-capitalized ratio from 10.50% to 10%, we do not feel that this was sufficient. As previously indicated, compared to the banking industry, credit union permissible investment and loans have inherently less risk. As a result, we do not understand why our well-capitalized definition should be so much higher than banks and 300 basis points higher than our industry statutes? We encourage the NCUA Board to further review this requirement.

Credit Union Service Organization (CUSO)

Although, the revised proposal reduces the risk weighting of investments in CUSO's from 250 percent to 150 percent, we continue to believe that this is excessive. Compared to the other assigned risk weightings, it appears to suggest that NCUA feels the mere existence of a CUSO creates a greater risk to a credit union than any other area of investment and/or lending. There are many credit unions that have cooperatively pooled their resources together to gain greater operational efficiency and/or to recognize reduced operating expenses. Traditionally, this has been done under the structure of a

CUSO. We are fearful that due to the excessive risk-based capital weighting that this type of innovative cooperative approach would not be as viable. We would proposed that the CUSO risk weighting be approached in a similar fashion as the risk weighting of investments. Clearly, it is the purpose of the CUSO that creates a risk to the credit union not the CUSO structure. Determining and/or managing the risk of the specific business of the CUSO is best managed within the examination process.

We appreciate the willingness of the NCUA Board to listen to the credit union industry as this important rule has been developed. As a result of the significant changes that have occurred from the originally proposed rule, it is apparent that NCUA is attempting to be responsive to credit union concerns. We respectfully urge NCUA to address the recommended improvements as they have demonstrated in the past with this rule. Thank you for the opportunity to comment on this proposed regulation.

If I can be a source of any further information on this comment letter, please do not hesitate to contact me.

Sincerely,



Gregory W. Gallant
President & CEO

CC: The Honorable Jim Bridenstine
The Honorable James Lankford
The Honorable James M. Inhofe