Chevron Federal Credit Union

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James E. Mooney
President & CEO

April 24, 2015

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

Re: Proposed Rule – Risk-Based Capital

Dear Mr. Poliquin:

On behalf of Chevron Federal Credit Union, I wish to thank you for the opportunity to comment on the revised risk-based capital proposed rule.

There are two comments – one general, one specific – that we wish to share with you on this matter.

(1) The revised risk-based capital proposed rule is a substantial improvement over the original 2014 proposed rule.

As you know, the original proposal attracted a large, varied and often critical response from credit unions and other interested parties. We applaud NCUA for listening and responding positively to the input it received.

Among the many changes adopted in the revised proposal, we were particularly pleased that some of the guidelines we believed to be most dubious – including the 10.5% threshold for a "well-capitalized" credit union and the risk weights applied to investments based on weighted average life – were modified to be consistent with those applied by the FDIC. While banks and credit unions may face different risks, we are gratified that NCUA appears to have adopted the principle of following established regulatory practice unless there is a compelling reason to do otherwise.

(2) The risk weights applied to real estate loans remain unnecessarily onerous and inconsistent with other regulators.

As noted above, the revised proposed rule contains numerous provisions that are now consistent with those of other regulators. That makes NCUA's proposed guidelines pertaining to real estate loans perplexing. For first lien residential real estate loans, the FDIC applies a 50% risk weight; NCUA's proposed rule would do likewise to such loans that constitute less than 35% of assets. However, for loans in excess of 35% of assets, the NCUA risk weight increases to 75%. The proposed rule makes a similar departure from banking guidelines in risk weights assigned to "junior" real estate loans.

By any objective standard, this bias in the proposed rule against residential real estate loans is inexplicable. In both good times and bad, credit unions have consistently outperformed banks in virtually all measures of asset quality. In the absence of a compelling rationale, the risk weighting for real estate loans should be no greater, and arguably less, for credit unions than for banks.

We respectfully request that NCUA apply to credit unions the same risk weights for residential real estate loans as those applied to the banking industry.

Thank you for considering our comments.

Sincerely,