

April 27, 2015

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

RE: Comments on Proposed Rule: Risk-Based Capital; RIN 3133-AD77

Dear Gerald Poliquin,

I am writing on behalf of the Board of Directors and Executive Team of NuVision Federal Credit Union, as well as the 88,000 members we serve. We are a federally chartered and insured California credit union with \$1.3 billion in assets and 270 employees. Although our credit union is well capitalized and would remain so under the proposed risk-based capital limits, we continue to have significant concerns regarding the rule as proposed.

The Regulation is Not Necessary

The current Prompt Corrective Action Regulation provides more than adequate guidance and security, as proved by how the credit union industry navigated the last financial crisis. While there were some failures, RBC2 would not have had a material impact on the losses suffered by the NUCSIF had it been in place before the Great Recession. Credit unions are a unique player in the financial services industry, and any effort to impose a risk-based capital requirement similar to the one used in the banking industry should consider that aspect before finalizing any recommendation or requirement. Additionally, our nation's credit unions would bear a cost to implement this proposed regulation that far outweighs the projected benefits the industry may realize.

More Changes Needed to Treatment of Goodwill

Credit unions that assisted with limiting losses to the NCUSIF by absorbing unhealthy credit unions should be allowed to permanently count goodwill arising from all previous supervisory mergers as risk-based capital, as long as it meets GAAP requirements. Not only does the proposed rule penalize credit unions who provided needed help to the credit union industry, but it will also discourage healthy credit unions from offering similar assistance in future financial crises.

CUSO and Mortgage Servicing Assets Risk Weights are Too High

The risk weight changes from RBC1 to RBC2 are welcome, but additional changes are necessary. The proposed risk weights for CUSOs and mortgage servicing assets are still too high, and limit a credit union's ability to innovate, generate non-interest income and provide mortgage services to our members and the communities we operate in. If necessary, credit unions should be subject to the same risk weights imposed on banks rather than the arbitrary weights prescribed in the new regulation.

Definition of a Complex Credit Union

Defining a complex credit union based on size alone, with no consideration given to the actual composition of the balance sheet and activities of the credit union is much too simplistic an approach. Our nation's credit unions have weathered almost a century of financial crises by working collaboratively and speaking with a common voice to our members, our regulators and legislators. Dividing our industry creates two diverse agendas on a subject which the entire industry collectively shares responsibility, and historically has addressed as one. If you see no option but to divide the industry into two tiers, then expanding the definition and increasing the threshold to at least \$500 million will provide some regulatory relief to credit unions that may not be prepared to comply with the proposed rule.

Remove the Requirement for a Capital Adequacy Plan

We agree that each credit union should hold capital commensurate with its risk, but we strongly oppose any provision that allows an examiner to consider an institution's internal desired capital assessment and planning as a standard for examination and supervision. This could potentially leave a "well-capitalized" credit union subject to arbitrary higher capital requirements than those specifically called for in the regulation, even if all other requirements of the regulation are being met. Allowing examiners even the smallest window of opportunity to subjectively set capital requirements must be excluded from any risk-based capital regulation.

Upcoming Additional Interest Rate Risk Regulation

The current Interest Rate Risk Policy and Program Rule has been effective since its introduction in 2012. Through the most challenging interest rate cycle in the last 50 years, not one credit union has failed due to interest rate risk exposure. Credit unions and examiners are still developing and refining our methods to monitor and test the impact of shifts in interest rates on capital and income. Additionally, the measures of interest rate risk are far too complex and variable to be boiled down to one common framework applicable to all covered credit unions. The NCUA would be better served spending additional resources expanding interest rate risk training for examiners than working to develop a new regulation governing this maturing subject.

On a final note, we are pleased with the recent announcement of the NCUA Board's support for investigating sources of supplemental capital in the near future. We hope you welcome input and feedback from credit union industry leaders and our trusted partners as this exciting news develops.

Thank you for the opportunity to comment and your consideration of the views of NuVision Federal Credit Union.

Sincerely,

James McHale
Chief Risk Officer
NuVision FCU

cc: CUNA, CCUL