



March 23, 2015

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

Re: Comments on Proposed Rule related to Prompt Corrective Action; Risk-Based Capital

Dear Mr. Poliquin,

Please accept this letter as Rogue Credit Union's official response to the proposed regulation related to risk-based capital (RBC). Rogue has 14 full service branches throughout Southern Oregon, serves more than 87,000 members and manages approximately \$980 million in assets.

First, we are very encouraged and appreciative for the significant changes that were made in the latest revision of the RBC rule. It is obvious that the NCUA listened to the feedback that Rogue and other credit unions provided and made many appropriate changes. These positive changes include:

- Reduction of well capitalized requirement from 10.5% to 10.0%
- Removal of inappropriate interest rate risk weightings
- Several improvements to risk weightings in both investments and loan categories
- Removal of the provision regarding individual minimum capital
- Inclusion of the entire Allowance for Loan and Lease Losses (ALLL) as capital
- Extended implementation timeframe

While the rule is greatly improved, there are still a few points of concern that we would like to articulate. Your attention to the following items is greatly appreciated.

Unnecessary Rule: It is clear that different institutions have significantly different levels of risk inherent in their respective balance sheets. Furthermore, the proposed rule does a relatively good job of identifying some of these differences. However, given the complexity of this rule, the relatively high capitalization levels throughout the industry, and the plethora of other existing tools at the disposal of our regulators, we do not feel this rule is necessary. It adds additional and unwarranted complexity to a system that is functioning well. Furthermore, we are greatly concerned with the potential impact to the call report structure. The call reporting process is already onerous and this additional rule will add yet another layer of complexity.

Supplemental Capital Options: We request that consideration be given to including supplemental capital as part of the risk based capital calculation for all credit unions. While inclusion of supplemental capital in the standard net worth calculation would require legislative action, it is within the power of the NCUA to include such options in risk based capital. Supplemental capital options have previously been endorsed by members of the NCUA board and would provide credit union management more flexibility in effectively managing growth at their respective organizations. If included, we request that supplemental capital options be expanded from what is currently available to low income designated credit unions. Additional options that would be helpful include the ability to issue subordinated debt directly to natural person members, shorter maturity timeframes, transferability options, and the ability to classify required membership shares as supplemental capital.

Interest Rate Risk: While interest rate risk controls have been removed from the proposed rule, it is our understanding that the NCUA is considering an additional rule focused solely on interest rate risk. We strongly believe that the Asset/Liability Management (ALM) requirements that are already in place are more than adequate. Any additional rule would be unnecessary and unwarranted.

We would like to reiterate that we support the NCUA's efforts in ensuring a safe and sound credit union movement. Furthermore, we greatly appreciate the significant steps that have been taken to improve the RBC rule from the original draft.

Thank you for considering our feedback. Please feel free to contact us directly if you would like further clarification on any of our concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Stephenson", with a long horizontal flourish extending to the right.

Matt Stephenson
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