

April 01, 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 Cal Poly Federal Credit Union, which serves the students, staff, faculty and alumni of California State Polytechnic University, Pomona (Cal Poly Pomona). We have 2,600 Members and \$12 million in assets. Cal Poly Federal Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed amendments to the Risk Based Capital Rule (Rule).

Our Credit Union will not fall under this Rule as it is currently proposed, but we receive assistance from larger credit unions and that assistance could become sparse if/when those credit unions are required to comply with the Rule. It is our belief that the credit union industry as a whole will suffer under the Rule.

While I thank you for making changes to the first proposal, I contend NCUA is outside of legal authority to implement a two-tiered Rule. I was in WA DC a few weeks ago and heard Board Member McWatters speak on this subject specifically. I believe he is correct and Congress has not authorized the NCUA Board to adopt two-tiered risk based net worth standards. I further believe the legal opinion obtained by NCUA on this subject is foggy at best.

That said -- I do not believe we (credit unions and our members) have the money or resources to take up a battle legally against the NCUA. So again, I appreciate having the opportunity to comment.

The last point I would like to make concerning the need for a rule is the fact that while I was in WA DC a few weeks ago, I heard Board Member Matz state there were 19 credit unions that would currently be effected by the rule. The amount of resources that are required to be spent (both time and money for both the regulator and the regulated) seems unreasonable on something that applies to 19 credit unions. I believe the NCUA could use their current examination powers to address the concerns for those 19 credit unions. We do not need to increase costs for thousands of credit unions for a few outliers. The costs do not justify the

benefits.

Next we move to what is complex. While I applaud the agency for increasing the threshold to \$100 million, it is still way too low. I believe complex should start at \$10 billion.

I believe Goodwill on the books as of the Rules implementation date from any mergers (either supervisory or voluntary mergers) should be included in the numerator of the risk based capital ratio and grandfathered indefinitely (as long as it is within GAAP). I further believe any Goodwill from future supervisory mergers should be treated in the same manner.

While I know the current proposal changed risk weights, I believe the weights for CUSOs are still too high. We work with a number of CUSOs (core processor, payment processor) and the amount of money we could lose would not be more than 100% of our investment in the CUSO. I think the risk weight for CUSOs should be less than 100%.

In conclusion, we don't need this Rule and I believe neither Congress nor the FCUA authorize NCUA to make it. I appreciate the changes to the first Rule but NCUA needs to change:

1. Complex to mean over \$10 billion in assets.
2. Goodwill to include current goodwill from all past mergers and future supervisory mergers.
3. CUSO risk rates to be under 100%.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital.

Sincerely,

Barbara Bean
CEO
Cal Poly FCU

cc: CUNA, CCUL