Georgia Credit Union Affiliates
6705 Sugarloaf Parkway, Suite 200
Duluth, GA 30097
(770) 476-9625 • (800) 768-4282 • (770) 497-9534 (Fax)

America's Credit Unions

December 31, 2013

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

RE: Comments on Proposed Rule – Large Credit Union Annual Stress Tests and Capital Plans

Dear Mr. Poliquin,

The Georgia Credit Union League (GCUL) appreciates the opportunity to comment on the Proposed Rule for Large Credit Unions to complete or have completed an Annual Stress Tests and Capital Plans. As a matter of background, GCUL is the state trade association and one member of the network of state leagues that make up the Credit Union National Association (CUNA). GCUL serves approximately 138 Georgia credit unions that have over 1.9 million members. This letter reflects the views of our Regulatory Response Committee, which has been appointed by the GCUL Board to provide input into proposed regulations such as this.

GCUL, like our national organization CUNA, is a strong supporter of safety and soundness principles. We understand that NCUA, as the manager of the National Credit Union Share Insurance Fund, is always looking for additional tools to aid in the oversight of the Fund and federally insured credit unions. However, we have major concerns regarding this proposal. We do not believe that NCUA has sufficiently substantiated the need for a new regulation given the financial performance of credit unions in general and the largest credit unions that would be covered by the rule in particular.

We are concerned about the costs of implementing the final rule and would like we would like NCUA to provide more information about how they arrived at the 4 million dollar figure. We urge the agency to issue guidance that covers key points addressed in the proposal and to administer the guidance through the annual examination of the largest credit unions; instead of a new regulation. The issue of guidance versus a new regulation would remove this major concern. Some of our major concerns are as follows:

- NCUA should not conduct stress tests but should review the stress tests that covered credit unions already conduct; either directly or through a third party.

- Also, NCUA should coordinate with the Federal Reserve Board to have the Fed conduct the reviews of the credit unions test.

- NCUA should not subject covered credit unions to sanctions for failure to meet capital planning or stress test benchmarks.
- NCUA should not establish a formal process for rejecting a credit union's capital plan.
- NCUA should not publicly disclose the results of the stress tests.
- NCUA should not require a three-year event horizon for the capital adequacy analysis.
- NCUA should not require credit unions to assume a two-year maturity to non-maturity deposits for purposes of capital adequacy analysis.
- NCUA should not require covered credit unions to deduct the 1% NCUSIF deposit from the stress test capital ratio.
- NCUA should not require a minimum stress test capital ratio of 5%.
- NCUA should not undermine the authority of state regulators to work with the institution they charter to determine the adequacy of their capital planning and stress testing.

The banking regulators rules on capital planning and analysis only apply to the largest and most complex bank holding companies, consistent with the capital and stress testing statutory requirements for these entities under the Dodd-Frank Act. However, under the Dodd-Frank Act there are no similar statutory provisions for credit unions regarding capital planning or stress testing. In light of these facts, we urge NCUA to reconsider the legal basis for the regulation.

We believe that the Administrative Procedure Act requires more substantial analysis to justify such a costly and burdensome rule. The new proposal fails to recognize that these financial institutions, as well as many that are smaller, already undergo routine capital planning and stress testing which is likely sufficient given the relatively low level of risk that a credit union demonstrates. We urge NCUA to rethink its role regarding the stress tests and to consider more viable, cost-effective alternatives, such as allowing credit unions to conduct their own tests that would be evaluated by NCUA.

Again, we urge NCUA to rethink its position on this new regulation and issue guidance instead for credit unions to follow. Then work with credit unions through the examination process under the Office of National Examinations and Supervision. We believe this approach will fully accomplish the agency's objectives to help protect the NCUSIF fund.

GCUL appreciates the opportunity to present comments on behalf of Georgia's credit unions. Thank you for your consideration. If you have questions about our comments, please contact Selina Gambrell or Cindy Connelly at (770) 476-9625.

Respectfully submitted,

Selina M. Gambrell

Selina M. Gambrell
Compliance Specialist