March 17, 2014

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

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

Dear Gerald Poliquin,

I am writing as the CEO of 1st Valley Credit Union and the thoughts are mine alone, not necessarily those of my board. We serve all of San Bernardino County, California. We have 3,500 Members and $35 million in assets. We are a LICU, CDCU, and a CDFI. I appreciate the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action – Risk-Based Capital. I have been a CU professional for 40 years, 30 of which as a CU CEO.

First and foremost I do not agree that this proposal is necessary and I do not agree with the scope, tone, methodology, or structure of the proposal. NCUA needs to get out their finest pencil and address this issue of capital. This proposal is the equivalent of a push-broom with 2/3's of the teeth missing. The proposal is heavy handed on some issues (risk rating in excess of 100% of exposure), and completely misses other vital areas that credit unions must address in risk (access to capital other than through income generation). Liabilities are all but ignored. This is similar to the draconian way the Long Term Asset Ratio has been recently applied. The complete lack of viewing the corresponding (or lack thereof in some cu's) long term liabilities a credit union has is very problematic, and shows a total lack of grasping of the issues by NCUA.

Your present rule is an embarrassment. It is short-sighted, ill-conceived, and doesn't really address the issue at hand.

We are being subject to the sins of the past. It may come as a shock to NCUA, but apparently there are many cu's that are quite capable of providing there members with MBL without being a risk to the NCUSIF. Instead of harping on Telesis, NCUA would serve everyone much better by drawing on the successes of those that do this program well, and making regulations that assist cu's achieve success. The knee-jerk response to Telesis is most unbecoming of a regulator.

Similarly, there is an overregulation of the mortgage lending area. NCUA has repeatedly commented on the S&L crisis and the lending of one cu here in Ca. Most of the S&L issues occurred because of the repeal of regulation Q and the quick market increase of the limited savings programs the S&L's had. None of those issues are present in this market. Again, instead of looking for a rate increase (which actually helps cu's), NCUA focuses on the old and dead S&L's. You are solving current problems with ancient history. You act as if rates up are a bad thing when in fact that is exactly what is needed. That's why we have excessive capital: for changes in the market, not for NCUA to grab up and use for some other cu's risk-taking debacle.

I have heard NCUA keep saying that they couldn't control the operations of those cu's. They were ignored by management. NCUA should consider "area of expertise and influence" regulations. You currently won't allow cu's to engage in MBL without 2 years of history (there's a contradiction there... you can't obtain history without doing and you can't do without history... I'm stumped!). Wouldn't it be appropriate to consider the geographical area of expertise as well as the internal persons knowledge? Telesis was making loans all over the country. Wouldn't have been prudent to look into how much they were aware of the local area they were lending in? There are some folks in town that can spin a great tale, but I wouldn't lend to them in a million years, and neither would anyone else that knew them. I believe the CU involved with the RE loans were funding the "Millionaire's club" in Florida. Again, local knowledge would have steered most CU's away from that book of business.

NCUA is focusing again on a number-generated solution. Look what happened to WesCorp with their concentration on a number-based analysis. I can remember being berated if I questioned their quantitative analysis and not be sophisticated. Really? That entire debacle could have been dodged if just one person on the board said "Gee I see your numbers, but don't you think investing 85% of our funds into loans that people can't afford is a bad idea?". We are in danger of counting on numbers here instead of showing a grasp of the business we are in. By their very nature cu's are in a risk business. A one-size fits all risk assessment is just wrong. I wish I were a larger organization, so I could leave the jurisdiction of NCUA. Your regulations only put cu's income at risk and do not save the fund from any losses. We are restricted from making money and not given the proper tools to manage all of our risk.

We have now been subjected to the "regulation of the WEEK" for an entire year. Can't we catch a breather here somewhere? By constantly making changes, our future projects are on hold. Serving members has been on hold for a while already.... we are in the compliance business now, not the member service business. NCUA seems not to be aware of that (or care?). I used to think I understood your objective, but with regulations as poorly planned out as this, I don't think so any longer.

NCUA has preached rates up for so long it's amazing. At the same time rates have gone down steadily for 30 years. When was the last time NCUA said increase terms of investments to better handle rates down? None that I'm aware of! By pushing for shorter terms (and BTW, a 3-year+ investment is not a long term asset in anyone's book other than

NCUA), credit union income is vastly and dramatically reduced. You are forcing cu's to shorten their investment terms when there are three outcomes available (Up, Down, and Unch.). NCUA has taken only one scenario when clearly there are reasons and strategies for all three that should be considered.

You restrict our income and at the same time we can only build capital through income. The definition of insanity comes to mind here!

I really don't get the piecemeal approach to this regulation nor the overbroad application of rules. Is there any consideration given to waivers of this regulation when it's blatantly apparent a credit union is able to make reasonable MBL or RE loans? We've only been in existence since 1951, and we've yet to take a loss on a RE loan. Yet, I'll be restricted on my step-up 15 year first mortgage loans where the LTV is well below 70% on average. This product has served our members well and with little risk to the NCUSIF. Those are now being restricted and at the same time I can make all the 125% LTV .75% APR 72-month auto loans I want without restriction. Am I the only person who sees a problem here?

Do you agree NCUA should be able to impose higher capital requirements on credit unions on a case by case basis? I wish I could agree with that statement, but I've seen NCUA in action for too long. The first examiner says "You're doing GREAT, keep it up!". Then the next person comes in and says "It's all wrong, change it." NCUA needs to get its own house in order prior to trying to further regulate us.

Do you agree with the risk weightings for:

- MBLS - NO
- Mortgage Loans - -ell NO
- Longer-term investments - In who's mind? Certainly not a 3-year term.
- Consumer loans - It appears to be the only risk NCUA is comfortable with.

- CUSOs Investments and Loans - NO

Should the NCSUIF deposit be excluded from the calculation of RBC ratios? I disagree with the entire premise as it's presented.

Should goodwill be excluded from the calculation of the RBC numerator? Follow GAAP. If it’s an asset, count is as such and move on. - enough said.

Do you agree NCUA should be able to restrict dividend payments as the proposal would provide? Based upon who's opinion? Each examiner? Is there any Due Process? Is there an appeal process that is not NCUA? Being the Judge, Jury, and Executioner seems a bit one-sided to the American process.

Do you agree with NCUA’s implementation time line? If not, how much more time should credit unions be provided? I think they need to stop and come back with a more comprehensive and well-reasoned solution. The current offering is neither.

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

Sincerely,

Gregg Stockdale
CEO
1st Valley CU

cc: CCUL