May 09, 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 on behalf of Desert Valleys Federal Credit Union, which serves the upper Mojave desert region of California. We have 4,245 Members and $25.1M in assets. Desert Valleys appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action – Risk-Based Capital.

We are writing at this time to present comments in opposition to two concerns we have in the proposed regulation. The two concerns are: Individual Minimum Capital Requirements and Regulation Parity with FDIC.

Individual Minimum Capital Requirements

The proposed rule gives NCUA authority to require even higher capital for individual credit unions. This highly subjective element should be stricken from the rule. Capital requirements can not be a subjective subject. If risk capital can be considered subjective than why would the NCUA not propose similarily subjective rules for prompt corrective action. As the longest running PCA credit union in the nation, I can speak uniquely on this. I beleive after doubling the assets of the credit union, maintaining a strong camel score, and improving capital more than 300 basis points that I have earned the right to no longer be subjective to the rules. However, I do not have the right under regulation to petition for relief from regulation. Why? Becuase capital requirements can not be subjective.

Desert Valleys will continue to remain subject to PCA becuase it is appropriate regulatory action. The regulations are established to dictate actions and reactions, not individual examiners feelings. It is completely inappropriate for any regulation to include language which addresses capital requirements as a subjective value.

If it is not eliminated, it should at least be clarified to state an examiner may recommend both and an increased or decreased capital requirement to the Regional Director for review and concurrence, and should the Regional Director concur, they must then refer it to the NCUA Board for approval. In addition, there should be an independent appeals process.However, if the process is to be esablished then it must be capable of swinging in favor the recommended credit union in BOTH directions.

Regulation Parity with the FDIC

Desert Valleys believes that risk-based capital is appropriate, but feel strongly that the requirements for credit unions should not be more restrictive or punitive than they are for the U.S. banks or any other financial institution in the world under the Basel III framework. The lack of regulatory parity with Basel III places credit unions at a competitive disadvantage and will only further to limit the impact credit unions can have in providing lending to the thier members and communities.

In summary, we beleive that this proposal is not ready for the full consideration of the Board and should be withdrawn for revisions and re-considerations. There are several other concerns which have been raised by our national trade assocation and fellow credit unions which deserve additional attention beyond the two concerns we have raised in these comments. The overall response from the credit union industry should serve as an indicator to the NCUA on the level of revision needed. This proposal should not be corrected in only minor ways but the entire thought process behind risk based capital should be revisited. If you wish to evalaute credit unions on risk and apply any additional regulatory burdens as a result of that evalaution, then the process must not be subjective. If you wish to apply subjective burdens then the restrictions and opportunities should be equally available on both scales of risk.

Thank you for the opportunity to comment on this proposal.

Sincerely,

Eric Bruen
CEO
Desert Valleys FCU

cc: CCUL