May 16, 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 Cal Poly FCU which serves the students, staff and faculty of California Polytechnic University, Pomona. We have around 3,000 Members and $11 million in assets. We appreciate the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action – Risk-Based Capital.

At our asset size, we are not subject to this new rule -- but, we have a lot of experience with being undercapitalized. In the mid-90s our capital was a negative 4% (previous management) and it took many years to bring us up to a positive 9% -- which now hovers between Well Capitalized and Adequately Capitalized because of the corporate debacle and Great Recession.

We spent the last 18 years keeping our assets down -- in order to keep our capital ratio higher. This is not a good position to be in -- and the Risk Based Capital rule will unnecessarily put many credit unions in the same bad position. Credit Unions have historically been risk averse -- this rule will cause well run credit unions to avoid risk to the point of detriment to their credit union. We are in the risk management business -- credit unions are responsible for managing that risk. It seems to me NCUA wants to take out all risk and manage the credit union's balance sheets.

I do not agree that NCUA should be able to impose higher capital requirements on credit unions on a case by case basis. If there are problems with a credit union's management, the NCUA has other "arrows in their quiver". How about an LUA or a Cease and Desist? If there is something so wrong at a credit union, an arbitrary amount of higher capital is not going to solve the problem.

My comment on the risk ratings of MBLS, Mortgage Loans, Longer-term investments, Consumer loans, and CUSOs Investments and Loans is that they should be at LEAST as favorable as those of other financial institutions. They seem to me to be numbers picked out of hat with no rhyme or reason. Why in the world would someone need to reserve for cash in a corporate at 200% -- twice the amount of that investment? Could we really lose twice the amount of the asset? I don't think so. This is NCUA managing our balance sheets.

I do not agree that the NCSUIF deposit should be excluded from the calculation of RBC ratios.

I do not agree that goodwill should be excluded from the calculation of the RBC numerator.

I do not agree that NCUA should be able to restrict dividend payments as the proposal would provide.

I do not agree with NCUA's implementation time line. Credit Unions should have at least as long as other financial institutions to implement this rule -- I believe that was 7-9 years for banks -- credit unions should have that same consideration.

My final concern with this proposal is that it is overreaching and just not necessary. While I am a proponent of Risk Based Capital, NCUA needs to go back to the drawing board with the comments and concerns of those that will be living with the rule. And while that technically does not mean us at less than $50 million, I have been working with examiners long enough to know that rules seem to apply across all asset sizes no matter how they read.

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

Sincerely,

Barbara Bean
CEO
Cal Poly FCU

cc: CCUL