PACIFIC OAKS
FEDERAL CREDIT UNION

May 16, 2014

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314 3428

Re: Comments on Proposed Prompt Corrective Action - Risk Based Capital Regulation

Mr. Poliquin:

Thank you for the opportunity to comment on the proposed regulation for Prompt Corrective Action and Risk Based Capital. Pacific Oaks Federal Credit Union is a $300 million federally insured community chartered credit union serving over 22,000 members in the county of Ventura, California. Our credit union exists to provide an array of financial services to meet the needs of our members throughout their lifetime. Our employees pride themselves on delivering superior service to each of our members and assisting them to improve their financial position.

General Comments of the Proposed Rule

1. We do not believe that a one size fits all approach is possible nor a prudent way to quantify a credit union's overall risk.
2. There is no effective way to standardize risk-weightings to include all material risks, which is one of the stated objectives of the proposed rule.
3. We believe the current risk-based net worth requirement structure is appropriate and should remain in place but any proposed changes should more closely align with Basel III, including a longer phase-in period.
4. We question the need for the proposed Individual Minimum Capital Requirement and are very concerned how it would be determined on a consistent basis by individual examiners.
5. Existing regulations and guidance concerning interest rate, concentration, credit and liquidity risks are sufficient.
6. The proposed risk-weightings seem arbitrary and are inconsistent with Basel III.
7. The proposed rule will create additional compliance burdens for credit unions; NCUA estimates an additional 122 hours for non-complex credit unions and 162 hours of compliance for complex credit unions.

CAMARILLO ▪ OXNARD ▪ THOUSAND OAKS ▪ VENTURA
P.O. BOX 6004 CAMARILLO, CALIFORNIA 93011-6004 p 805.384.1100 f 805.384.1860 WWW.PACIFICOAKSFCU.ORG

Specific Concerns

1. The proposed rule does not adequately address interest rate risk for US guaranteed investments regardless of term; e.g. UST instruments.
2. The proposed rule ignores interest rate risk in the loan portfolio as risk weights are based on a percentage of assets.
3. The proposed risk-weightings for real estate loans do not consider portfolio management, underwriting standards, industry experience and the quality of loans.
4. The proposed rule ignores the liability side of the balance sheet and the level of interest rate risk mitigation provided.
5. The risk-weightings for a Government Sponsored Entity (GSE) mortgage security has a higher risk-weighting than the underlying mortgage loan, although the interest rate risk is the same and the credit risk has been eliminated.
6. The 1% deposit in the National Credit Union Share Insurance Fund should not be excluded from the proposed risk-based capital calculation; it became evident in the case of the corporate credit union losses that the NCUA has a superior claim on that deposit.
7. FDIC insured bank deposits should have the same risk weighting as NCUA and FDIC Guaranteed Notes.
8. The risk-weighting for GSE bonds does not consider the implied guarantee.

Summary Comments

We do not believe that this proposed risk-based capital rule improves the overall risk management of credit unions. On the contrary, it will consume more resources of credit unions to comply with a regulation that will likely reduce growth and service to members and impose burdens disproportionate to any benefit in risk reduction.

We recommend that the NCUA Board abandon the entire proposed rule and that the current risk based net worth requirement structure remain in place, as it does not strategically handcuff well run credit unions in a material way. At a minimum, a more thorough analysis is necessary before any changes are made to the current risk based net worth requirement, weighing the comments in this letter and the concerns being widely expressed by others.

Sincerely,

Marianne E. Blitsch

Marianne E. Blitsch
President and CEO