

May 21, 2014

Gerald Poliquin
Secretary of the Board
National Credit Union Administration

Mr. Poliquin,

We appreciate the opportunity to comment on the proposed changes to 12 CFR Parts 700, 701, 702, 703, 713, 723 and 747; Prompt Corrective Action: Risk Based Capital.

County Schools Federal Credit Union serves the faculty, staff and students of all public and private schools, colleges and universities in Ventura County, California, and their immediate family members. Our field of membership also includes over 200 Select Employee Groups in Ventura County. We have \$55 million in assets and 7,751 members.

Under the current Prompt Corrective Action methodology, our credit union is classified as Well Capitalized with Net Worth of 7.36% and a Risk-Based Net Worth Requirement of 5.29%. Under the proposed regulation, we would fall to an Adequately Capitalized level with a Risk-Based Capital Ratio of 10.09%.

There are several areas under the proposed regulation that greatly concern us, but the first that stands out to our credit union in particular is the seemingly arbitrary limitation of 1.25% of risk assets for Allowance for Loan Loss. We, like many credit unions, were victims of the economic downturn. Consumers in Ventura County were hit hard and, as a result, we suffered an increase in delinquency. While we are slowly recovering, we are also acting prudently and within GAAP requirements by carrying a balance in the ALL that properly reflects the reality of our situation. Were we allowed under this proposed regulation to carry the actual amount of our ALL instead of limiting it to 1.25% of risk assets, our Risk-Based Capital Ratio would change from 10.09% to a Well Capitalized level of 12.48%.

While we are a relatively small credit union, we take pride in having set a strategic direction that will enable our members to more fully take advantage of our cooperative. Unfortunately many of the other facets of this proposed regulation may well impede our desire to serve our members.

Currently we are under the first tiers in Nondelinquent 1st Mortgage Real Estate Loans and Member Business Loans and well within the second tier of Other Real Estate loans. In order for our credit union to be in compliance with the proposed regulation, we would need to curtail lending in these areas thereby lessening the value of our cooperative to our members.

We recognize that recklessly disregarding best practices in Assets Liability Management could well jeopardize our continued viability. However, the proposed regulation does not seem to take into consideration a credit union that has established a meaningful ALM program. Not only does NCUA propose to eliminate Risk Mitigation credit but also fails to recognize the utilization of balance sheet liabilities in the mitigation of interest rate risk.

One of the many strengths of operating as a financial cooperative is the fact that we join together for the betterment of all. This precept is not only important for our members, but it is important for the movement as well. We greatly rely on our ability to join with other credit unions to provide services to our members that we otherwise count not afford. The proposal to risk weight investments in a CUSO at 2.5 times could well put such cooperative ventures out of our reach. For a small credit union, operating cooperatively with other credit unions may well be our only means of survival.

Finally, the proposal to authorize NCUA to subjectively require additional capital over and above capital levels laid out in a regulation puts us in a position of having to constantly be 'looking over our shoulders' wondering how a particular NCUA Examiner will react to any of our programs and operations. Such uncertainty will greatly impede our ability to properly establish strategic plans to benefit our members.

Thank you again for allowing us to comment. We are hopeful that the NCUA Board will take into consideration our comments and concerns when reviewing this proposed regulation.

Sincerely,

SAUpdike

Sharon Updike
Interim CEO