Vantage West CREDIT UNION

Mr. Gerard Poliquin
Secretary to the NCUA Board
1775 Duke Street
Alexandria, VA 22314

May 12, 2014

Re: Comments on Proposed Rule: PCA – Risk-Based Capital

Dear Sir or Madam:

I am writing on behalf of Vantage West Credit Union, a $1.3 billion credit union serving over 125,000 members in southern Arizona. Vantage West appreciates the opportunity to provide comments to the NCUA on its proposed rule, Prompt Corrective Action – Risk-Based Capital.

Of great concern to us is the proposed Section 702.105(c), which provides NCUA with "subjective judgment" to establish minimum capital levels for individual credit unions that may exceed the levels established under this proposed rule. We believe that the subjective opinions of examiners should be left out of any minimum capital threshold. The ability to arbitrarily change capital requirements on a case-by-case basis defeats the purpose of maintaining a risk-based capital rule and invites inconsistency in its application.

We believe that certain risk weights utilized in the proposed calculation also require further consideration:

- The proposal uses non-delinquent first mortgage real estate loans (NDML) risk weights to compensate for concentration risk (i.e. as NDML % of assets increases, risk weight increases). This broad brush measure does not consider factors that substantially impact risk such as LTV or credit grade.
- Member business loans are risk weighted by percent of assets, which does not consider the differing risk profile of the various types of business loans. A more reasonable approach would be to assign risk weights by type of member business loan (i.e. agricultural, construction & development, unsecured, etc.)
- Investment risk weights are assigned according to maturity in an attempt to compensate for interest rate risk. This does not allow for risk mitigation efforts of credit unions, such as the use of variable rate investments or derivatives.
- CUSO investment risk weights under the proposed rule are excessive (250%). CUSOs have been an important vehicle through which credit unions are able to collaborate, increase efficiencies, lower costs, and diversify. This proposal could force credit unions to reconsider current and future investments in CUSOs, which would be a detriment to the industry.

A final aspect of the proposal that we find to be illogical is the exclusion of the NCUSIF deposit from both the numerator and denominator of the Risk-Based Capital Ratio. The calculation essentially assumes that the full NCUSIF balance is a "loss." While it certainly is appropriate to assign a risk weight to this deposit due to the systemic risk of losses to the overall share insurance fund, the complete removal of this balance from net worth is inappropriate given the extremely low likelihood of a total loss of these funds. The treatment of the NCUSIF deposit within the proposal reduces our credit union's Risk-Based Capital Ratio by approximately 90 basis points, a major impact on a calculation for which 8.0% is considered the minimum level to be deemed adequately capitalized.

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

Sincerely,

Robert D. Ramirez
President / CEO
Vantage West Credit Union