VENTURA COUNTY
CREDIT UNION

April 20, 2015

National Credit Union Administration
Gerald Poliquin, Secretary of the Board
1775 Duke Street
Alexandria, VA 22314-3428

Via Email to regcomments@ncua.gov.

Comments on Proposed Rule: PCA - Risk-Based Capital 2, RIN 3133-AD77

Dear Gerald Poliquin,

I am writing on behalf of Ventura County Credit Union, which serves Ventura and Santa Barbara Counties in California. We have 72,000 Members and $725 million in assets. Ventura County Credit Union acknowledge and commends the NCUA Board for addressing pertinent issues in initial proposed Risk Based Capital rule. We do believe there is value in a risk based capital approach, as the inherent risk in the balance sheet may vastly differ from one credit union to the other, and a one size fits all is a bit simplistic. However, we would like to recommend the following for further consideration.

Areas of Concerns and Recommendations:

We are most concerned with the requirement a "complex" credit unions would have to adhere to. RBC2 requires "complex" credit unions to develop a capital adequacy plan to assess sufficiency of their capital on an ongoing and further reserve above and beyond 7% net worth and 10% RBC requirements. This is particularly concerning as this requirement is subject to examiners review. Despite our highest regards to the NCUA examiners, we have had difficult examinations due to inexperience examiners recommendations. Further, assets size does not reflect or have direct correlation of credit unions complexity. We recommend the Board carefully define "complex" credit unions and it should be indexed.

We applaud NCUA for removing interest rate risk (IRR) from risk weighting; however, under RBC2, separate IRR rule was implied. We are opposed to separate IRR rule, as the current IRR rule, adopted in 2012, are appropriate.

In the original proposal, goodwill and other intangible assets (OIA) would have been excluded from the numerator of the risk-based capital ratio. We are opposed to the change in RBC2, a subset of goodwill and OIA could be retained in the numerator of the RBC ratio until 2025.

Further, we do not support the 300% risk weighting for publicly traded equity investments which should be much lower so that credit unions will not be unduly limited in their investments for employee benefit funding.

In addition, credit unions risk weight should not be greater than the risk weight for the banks and recommend in reducing the following risk weights:

- Current first lien residential mortgage loans over 35% of assets risk weight lower to 50% from 75%.
- Junior lien residential real estate loans greater than 20% of assets risk weight lower to 100% from 150%
- Non-current Junior lien residential real estate loans risk weight lower to 100% from 150%
- Off Balance sheet- Unfunded Non –Business commitments risk weight lower to 0% from 100%
- Mortgage Servicing Rights risk weight lower to 100% or less from 250%
- CUSO - the NCUA proposal uses a 150% risk weight on CUSOs while the Bank rules would apply a 100% weight on relatively low levels of CUSO investments. And there is no effort to differentiate the types of CUSO investments. NCUA should encourage collaborative CUSO investments and lower the propose risk weight.

Summary:

We strongly believe that RBC2 will pose additional complexity and burn to the Credit Unions. Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

Joseph Schroeder
President and CEO