April 20, 2015

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

RE: Comments on Proposed Rule: Risk-Based Capital; RIN 3133-AD77

Dear Gerald Poliquin,

I am writing on behalf of VA Desert Pacific FCU, which serves employees of the VA in Long Beach, Los Angeles, San Diego, Riverside and Las Vegas. We have 5000 Members and $64 million in assets. VA Desert Pacific FCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed amendments to the Risk Based Capital Rule.

Thank you for the changes made in response to our previous comments (updated risk weightings, increased implementation time, ability to include ALLL as counted capital, removal of IRR and concentration risk from the calculation, to name a few.

We still do not agree that this regulation is needed. No evidence has been presented that would show that this approach would have prevented failures in the past or potentially in the future. No evidence has been presented that would indicate that the industry is undercapitalized. The declaration that just a few credit unions will be affected supports the assertion that this regulation is a huge expense that will produce very limited benefits.

Definition of a complex credit union: We do not consider it valid to make assumptions about a credit union's complexity based solely on size. Complexity is not mitigated by stockpiling additional capital; it's mitigated by sound management practices. Given the number of large credit unions we come in contact with at conferences, we'd recommend setting the line (assuming a line has to be drawn) at $1 billion.

Two tiered capital structure: We do not consider a separate capital levels for being "well capitalized" or "adequately capitalized" useful or appropriate. We question whether the Federal Credit Union Act even allows for it. We would anticipate uneven pressure from field examiners on an "adequately capitalized" credit union to take steps to become "well capitalized" whether or not that serves members or supports the credit union's long-term mission.

Risk weights: While the updated risk weights are certainly more palatable and manageable, we still question the setting of risk weights in excess of 100%. Most losses will occur as a portion of the whole, not a multiple. We don't see any way a loss on a consumer loan or corporate capital can exceed 100% and suggest those risk weightings be made 100%.

Implementation: We are very concerned about the cost to credit unions and to NCUA to implement this rule. With so few credit unions being adversely affected, we consider it poor stewardship to spend the millions of dollars making the change when the existing rule appears to be adequate. While our credit union is below the $100m threshold currently, we don't anticipate that being the case in the future. This rule could have a chilling effect on collaborative mergers, new member service and expansion. We are expanding to our sponsor's newest location in Las Vegas and contemplating a strategic merger. We are concerned that our ability to serve members will be slowed by the implementation and potential capital drain RBC rules will have on these initiatives.

IRR: We have significant concerns that NCUA maintains a consistent bias toward rates up and seems not to believe rates down is a possibility (or that it poses a threat to credit union profitability when it does occur). This is interesting, given we've been seeing rates down for an extended period and we have proven that for most credit union "rates up" is a good thing where we make more money when that happens. We strongly believe IRR should be managed through the examination process and never through a rule. One size never fits all. An action might be risky for one credit union and the same action not risky for another **given the overall balance sheet context in which it occurs**. We are also adamantly opposed to any regulatory provision requiring NEV analysis. The idea that "shocking" the balance sheet and then selling off the credit union (as if that were even possible) is a valid way to measure interest rate risk is impossible to support. Any analytical method that excludes the passage of time is doomed to be inaccurate and deceiving. We recommend rigorous training for examiners so they can have meaningful conversations with credit union leaders in managing interest rate risk apart from rules. We believe that rules serve to give people permission not to think any more.

Individual Minimum Capital: We are still concerned that examiners, through capital adequacy plans, will be able to demand higher rates of capital than the rule requires. We recommend clarifying the language to prohibit field examiners from setting individual minimum capital.

While we are presently not large enough to be effected by the new rule, we know our larger credit union neighbors do a great deal to support smaller credit unions and the credit union movement. We are certain this new rule will reduce the resources available to engage in these activities upon which we rely.

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

Sincerely,

Cindy Glessner
CEO
VA Desert Pacific FCU

cc: CUNA, CCUL