

April 14, 2015

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

Re: Comments on Risk Based Capital Proposal

Dear Mr. Poliquin:

This letter is in response to your second proposal on Risk Based Capital. As board members at Credit Union of Southern California (CU SoCal), we are concerned about the unintended consequences of increasing regulation on smaller and mid-sized credit unions. We too want to be sure that the insurance fund is well protected. We believe that increasing regulation will cause the smaller and mid-sized credit unions to be merged into larger ones. Like most volunteers, we are involved in the credit union movement because we love the idea of people helping people and the diversity that credit unions provide.

CU SoCal is a mid-sized credit union with 75,000 members, \$925 million in assets and 220 employees. We encourage you to keep in mind the effect that these rules will have on small and mid-sized credit unions.

That said, we want to thank you for the positive changes made in this second version. We also appreciate that you are allowing us to comment. Below are a few thoughts we would like you to consider. Our board believes these changes will make these rules less onerous and still achieve the goal of safety and soundness.

1. We recommend that complex credit unions be defined by, the range of services offered, types of investments, loan types, and other items in the portfolio of assets and not by asset size.
2. We recommend the Capital Adequacy Provision be written to provide more clarity. It is unclear as to what is an "appropriate level of capital". Having been through several exit interviews over the years, lack of a clear standard leaves credit unions subject to the examiners' understanding or interpretation of a rule. This uncertainty increases the burdens that smaller credit unions already face, and does not necessarily increase safety and soundness.
3. We would like you to consider revising the risk weightings of member business loans, mortgages, mortgage servicing and CUSO investments. As it now stands, there are more limits on credit unions than banks. We believe there should not be a double standard.
4. When considering any Interest Rate Risk (IRR) proposal, we hope you will consider the following. First, is a new IRR rule really necessary? How many new layers of regulations will be added in the name of safety and soundness? Will these new regulations really make the fund safer or just cause more and more boards of smaller and mid-sized credit unions to throw in the towel and merge?

Thank you for allowing us to make the above comments. We know you have a difficult job and that you are receiving lots of input from all sides.

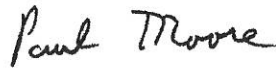
It is our hope that with all new rules serious consideration should be given as to how they will affect smaller credit unions. We believe the fund is better served with a healthy mix of small, medium and large credit unions rather than concentrating its assets in a few very large credit unions.

Sincerely,

CU SoCal Board of Directors



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Board Chairperson



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Vice Chairperson



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