From:	Julie Kirsch
To:	_Regulatory Comments
Cc:	Sharon Lindeman
Subject:	Julie Kirsch Comments on Proposed Rule: Risk-Based Capital
Date:	Monday, April 27, 2015 6:24:48 PM

Good afternoon

I am writing on behalf of Meriwest Credit Union located in San Jose, California. First, thank you very much for the opportunity to comment on the proposed Risk Based Capital rule and also for incorporating many changes to the original draft.

Our credit union has many concerns with the existing draft but believe these specifically need to be addressed:

1. CUSO Investments. Our credit union operates a CUSO which is a Limited Liability Corporation and as such, is protected under the LLC structure. We are concerned with the proposed assigned risk rating of 250% which seems arbitrary in nature and treats all CUSO equally. The risk of a CUSO's potential impairment to the credit union is assessed by utilizing GAAP and through a Certified Public Accountants' opinion audit of its financial condition and operational risk; thus any capital risk weighting should take these mitigating factors into consideration. If a risk rating for CUSOs is necessary, we recommend that CUSOs carry a 100% risk rating which is commensurable with the proposed risk rating on loans to CUSOs.
2. Capital Adequacy: We are concerned with the latitude of the definition of capital adequacy and in particular, allowing for that determination (and inconsistency) to occur in the field. If a credit union meets the definition of well-capitalized, or adequately capitalized, under net worth and risk based capital requirements, there should be no further need to impose an additional assessment or capital requirement. We strongly urge you to remove this provision from the proposed rule.
3. NCUSIF Deposit: We are unclear on the purpose for the proposed treatment of the NCUSIF Deposit. While a deposit in the SIF, it is also available to be returned under certain conditions (e.g., bank charter conversion)—qualifying it as a credit union asset. Including the deposit in the numerator and in the dominator removes any credit to capital, and as such, we recommend that this be changed so that no adjustments are made to equity as part of this provision. As the draft currently stands, the effect of this Risk Based Capital treatment of the deposit is not offsetting. The impact of removing it from the numerator is much more punitive than the impact of a negative asset included in the denominator. Such treatments reduces our RBC by more than a full 1%.

Thank you in advance for consideration on the comments submitted.

Sincerely,

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