April 24, 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 Valley Oak Credit Union, which serves Tulare and Madera County, California. We have 6,700 Members and $48 million in assets. Valley Oak appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed amendements to the Risk Based Capital Rule.

Credit unions survived the last financial crisis partially due to the current risk based system employed by the NCUA. While we did lose some credit unions overall credit unions survived the downturn. Why do we need a second Risk Based Capital standard? The current proposal is not suggesting that our current system be replaced. The proposal is adding another layer of scrutiny to our already complicated system.

While we agree some credit unions have more risk than others, no where does the NCUA justify the need to classify a credit union as complex. The NCUA has not asserted the these complex credit unions created undue risk during our most recent financial crisis. If so called complex credit unions created additional risk why didn't more of them fail during our most recent downturn?

If a credit union is allowed to have a supplemental form of capital why wouldn't it count in some way when calculating the risk-based captial ratio? From my reading of the proposal, I believe supplemental capital is not counted in the risk based calculation. Supplemental capital should be included in the numerator of the risk based capital ratio.

NCUA's willingness to make changes to the proposal are appreciated albeit more changes would be necessary should this proposal be implemented. The weighting for CUSO's, Real Estate Servicing, and Share Secured Loans in particular are areas that still need work.

One area the NCUA got right is including the Allowance for Loan Loss and Lease account in the numerator of the risk based calculation. The allowance account is the major way credit unions account for the risk that is on their balance sheet in the form of member loans. A well funded allowance account should be taken into account when assessing the risk of the credit union.

We do not see the need for a new rating system. NCUA says it needs this rating system to allow examiners flexibility in determining the risk of each credit union. The current rating system allows examiners flexibility as they already justify giving better or worse ratings than the guidelines in the examiner's handbook. If we are going to have new system we need to get rid of the old one. It makes no sense to have two risk based weighting systems.

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

Sincerely,

Alan Cortum
President/CEO
Valley Oak CU

cc: CUNA, CCUL