From: Chuck Garner
To: _Regulatory Comments
Subject: Proposed Risk Based Capital Rule (RBC2) Comments by Chuck Garner Oregonians Credit Union
Date: Thursday, April 09, 2015 6:44:47 PM

April 9, 2015

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

Via: Email

RE: Comments on proposed Risk Based Capital (RBC2)

I am writing on behalf of the 21,000 members, board and staff of Oregonians Credit Union. OCU has assets of approximately $300 million and operates 6 branches in the Greater Portland area along with a branch in the Central Oregon town of Prineville. Obviously OCU serves a diverse membership that demands diverse services including real estate lending and servicing, investment and insurance options and member business lending. At the same time OCU is a well capitalized credit union with a capital ratio exceeding 11.8%. In spite of the 'complex' services and specialized lending OCU has offered, we have maintained an above-average capital ratio by remaining conservative in our decision making, ensuring that staff and board are properly educated, deliberatley doing all we can to control risk while following established best practices.

We commend the Board for actually listening to the many comments that were submitted regarding the RBC1 proposal. In particular eliminating the attempt to place ominous interest rate risk limitations that have the potential to have grave consequences for many credit unions. We are greatful for other improvements including less restrictive risk ratings for various investments and loan types, inclusion of the ALLL as capital and the extended timeframe for full implementation.

Our biggest concern is that NCUA is overreaching with this proposal and exaggerating the risk it perceives to be inherent in the industry. Why is NCUA so concerned about the capital levels of credit unions? Are capital ratios historically low? Have we recently had unprecedented loan and investment losses? Did the industry fare poorly during the recent Great Recession? The answer to these questions is a resounding NO!

Credit Union capital ratios are high by all accounts. The industry capital ratio is a healthy 10.7% after experiencing a slight decline during the darkest days of the Great Recession. The industry average capital ratio during the decade of the 1990s was less than 9.8% and during the tumultuous 1980s the ratio was less than 8%. I remind you that CUs were much less 'complex' throughout the 1980s and 1990s and the 1980s presented some very daunting times almost as ominous as the recent Great Recession.

Looking at these numbers one could surmise that the market is taking care of the complexity of CUs; CUs have stepped up their reserves as they have become more complex.

During the Great Recession, industry loan losses did rise for a couple years while few natural person CUs experienced investment losses. NCUA investment loss numbers are not readily available but information shows OCU's peer group (reflective of the whole industry) only saw a peak delinquency ratio of 1.7% and a charge off ratio that never reached 1% of loans. These rates are by no means high or outlandish! *By comparison at the recession peak (according to the Fed) the banking sector delinquency reached 7.4%, bank loan charge offs exceeded 2% for 7 quarters and 3% for 1 quarter.* Yes there were a few 'bad players' in the CU sector but they were a small minority and helped to exaggerate the numbers for the industry

With this proposal NCUA seems to be ignoring the facts about the true risks of CU operations. Credit unions have taken it upon themselves to build capital to help protect their memberships and the insurance fund as they have gotten more complex. NCUA seems to be trying to *eliminate risk* instead of allowing CUs to manage risk. Not only is this attempt shown by the RBC proposals but is shown to all of us during the last couple exam cycles whereby examiners focus on 'risk' areas by name (real estate lending, loan collections, investment types, IRR) while ignoring the actual management and performance of individual CUs. From an examiner's standpoint, If you operate in any of the stated risk areas, you are assumed to be a higher risk with no rebuttal allowed.

OCU feels that NCUA needs to rethink the need for a RBC rule at all. It is time the Agency looks at the facts and the actual performance of the sector it regulates. It needs to quit trying to prevent that 'next disaster' that likely will not be a disaster at all and which CUs are well positioned to weather.

Sincerely,

Chuck Garner, President/CEO
Oregonians Credit Union