

From: [David Green](#)
To: [Regulatory Comments](#)
Subject: David M. Green - Comments on Proposed Rule: Risk-Based Capital
Date: Wednesday, April 08, 2015 3:01:26 PM

To the National Credit Union Administration Board:

On behalf of Contra Costa Federal Credit Union (CCFCU), I submit comments on the National Credit Union Administration (NCUA) Board's proposed Risk-Based Capital revised rule (RBC2).

Let me first begin by commending the NCUA Board and staff on making significant improvements to the originally proposed Risk-Based Capital rule. We appreciate the fact that the Board and staff requested input and held meetings with credit unions and their trade associations in order to gain preliminary insights concerning various aspects of risk-based capital. We believe these efforts have enhanced the rulemaking process.

The Board has requested comments on the proposed rule. We have not responded to every issue but only to those we believe are most significant to the credit union community.

We respectfully submit our comments as follows:

- **Risk Weights.** RBC2's risk weights are significantly improved over those proposed in RBC1. We suggest the risk weights for CUSO investments and mortgage servicing assets be reduced in order to enhance a credit union's ability to own and operate CUSOs and hold mortgage servicing rights. Over the past several years, we have changed several vendor relationships to CUSOs to keep our costs down and help make credit unions financially successful and independent.
- **Goodwill.** CCFCU supports the position that Goodwill not be subtracted from capital in the RBC ratio. We have had some difficulty putting mergers together since the beginning of the Great Recession and feel RBC without Goodwill stifle much-needed mergers of credit unions that can no longer compete in their community.
- **Interest Rate Risk.** We applaud the NCUA Board and staff for eliminating risk weights for longer-term investments. However, we are concerned about NCUA's intention to issue a new interest rate risk (IRR) proposal in addition to the existing IRR Policy and Program rule adopted in 2012. An additional rule may further restrain credit union risk management and ultimately make it more difficult to operate profitably.
- **Complex Credit Union Definition.** CCFCU has always taken the position that a "complex" credit union should not be based on asset size or the fact that the credit union approves real estate loans. We suggest NCUA define a complex credit union based on a variety of factors, such as share account types, member services, loan and investment types, and portfolio composition, and how each one of those items contributes to the bottom line. As stated above, we feel the current IRR guidelines would eliminate the need to segregate credit union into simple and complex categories.

- **Supplemental Capital.** While CCFCU feels it has more than sufficient capital to operate in a safe and sound manner, we support the inclusion of supplemental capital by credit unions the RBC numerator. We support capital from both members and from outside sources, as long as disclosures, consumer protection, and suitability similarly to publicly-traded stock in accordance with guidelines and rules set forth by the Securities and Exchange Commission.
- **Capital Adequacy.** We agree with NCUA's elimination of the individual minimum capital requirements in RBC1 but disagree with the proposed change to develop a comprehensive written strategy to maintain an appropriate level of capital. Under the proposed RBC2, CCFCU would have three times the amount of capital deemed adequate. However, this would not necessarily prevent a field examiner from requiring us to develop a capital strategy. Conservatively-operated credit unions with significantly more capital should be allowed to continue to operate without needless written strategies which would be constantly second guessed by different examiners in subsequent years.

Thank you for the opportunity to submit comments to the above-mentioned proposed rule. Please feel free to contact me with any additional questions or clarifications.

Sincerely,

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