

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

Submitted:
1330 hours - 23 March 2015

Re: Notice of Proposed Rulemaking –
 Capital Planning and Stress Testing
 Schedule Shift

Dear Mr. Poliquin,

Navy Federal Credit Union is pleased to provide comments on the National Credit Union Administration’s Notice of Proposed Rulemaking (NPR) covering the schedule shift associated with Capital Planning and Stress Testing for large Federal Credit Unions (FCUs).

We do not support the proposed timeline for completing the capital plan. While we understand NCUA must change the timeline because the Federal Reserve has changed the release date for its stress test scenarios; we do not support NCUA’s proposal to reduce the amount of time a credit union has to prepare its capital plan. Instead, we believe NCUA should maintain the time we have to prepare our capital plan by shifting the entire timeline three months to mirror the change in the Federal Reserve’s release schedule. Our proposed timeline is highlighted in the table below.

	Current Rule	NCUA Proposal	NFCU Recommendation
As-of-Date	Sept 30 th	Dec. 31 st	Dec. 31 st
Scenario Release Date	Dec 1 st	Feb 28 th	Feb 28 th
Capital Plan Due Date	Feb 28 th	Apr 30 th	May 31 st

The Board states it believes the shortened timeline provides credit unions sufficient time to complete their capital plans. We do not agree with the Board. More specifically:

- Adjusting the “as-of-date” from September to December already has the unintended consequence of shortening the timeline because of the additional time and resources necessary to close an institution’s books at year-end. In our case, year-end processes can delay the availability of data up to two weeks which means the time to prepare our capital plan is already slightly compressed. Additionally, while a December as-of-date aligns with the overall timeline necessary to complete the process in a calendar year, we urge NCUA to consider the additional burden placed on credit unions by moving the as-of-date to December 31st. This will require credit unions to prepare their

data files, not only for their own capital planning purposes, but also for NCUA’s third party vendor, at the same time the credit union is preparing several regulatory filings, preparing its annual reports and undergoing its annual financial audit. We ask NCUA not to take any actions that further compress the timeline.

- The Board has proposed an April 30th due date for the capital plan instead of May 31st. This proposal reduces the time to complete a capital plan from five months to four months which further exacerbates the compression caused by moving the as-of-date to December. Additionally, moving the due date to April 30th only gives credit unions two months to review the Federal Reserve’s stress tests scenarios, model the impacts, evaluate the results, and, develop a credible plan to ensure capital adequacy, safety and soundness. NCUA also expects credit unions to review, analyze and react to the results of its internally run stress tests, idiosyncratic scenarios and reverse stress tests; all of which are predicated on the Federal Reserve’s scenarios and the as-of-date financial forecasts. Compressing the overall timeline from five months to four months, and the analytical modeling window from three months to two months, significantly impairs a covered credit union’s ability to provide a complete, thoughtful, and careful evaluation of its risks and its capital adequacy.
- A key element of the capital planning process is a thorough review of the capital plan, including results of the analytical scenarios, with the credit union’s Board of Directors. Reducing the overall timeline thirty days unnecessarily shortens the window for this process. Credit unions want to prepare a robust capital plan with sufficient time to engage their Board of Directors including time to amend their capital plans based on the Boards’ risk tolerance. Compressing the timeline thirty days does not provide adequate time to complete the plan, review it with the Board, and, make any adjustments based on the Board’s feedback.

Lastly, the proposed rule states NCUA has compressed the timeline “to enable other dates in the capital planning and stress testing cycles to be synchronized”. Rather than compress the timeline for credit unions to prepare their capital plans, we urge NCUA to simply shift *all* dates in the capital planning process to align with the Federal Reserve’s scenario release date. Specifically, we propose the following:

	Current Rule	NCUA Proposal	NFCU Recommendation
As-of-Date	Sept 30 th	Dec. 31 st	Dec. 31 st
Scenario Release Date	Dec 1 st	Feb 28 th	Feb 28 th
Capital Plan Due Date	Feb 28 th	Apr 30 th	May 31 st
NCUA provides stress tests results to credit unions	May 31 st	July 31 st	August 31 st
NCUA approves / rejects capital plan	90 days	July 31 st	August 31 st
Revised capital plan due	90 days	October 31 st	November 30 th
Credit union requests authority to run stress tests	July 31 st	October 31 st	November 30 th
NCUA approves request	August 31 st	November 30 th	December 31 st

Our proposed timeline provides credit unions the same amount of time to prepare their capital plan, ensures NCUA can conduct its reviews in a timely manner, and most importantly, does not impinge on a credit union’s ability to adhere to some of the most important principles of capital planning; rigorous

analytics, enterprise-wide review and analysis, and, effective governance and Board oversight. NCUA's proposal to compress the timeline puts these principles at risk. We do not believe NCUA needs to compress the timeline for credit unions when simply shifting the entire timeline thirty days will accomplish NCUA's objectives and provide credit unions sufficient time to prepare their capital plans.

If you have any questions, please feel free to contact Vince Pennisi at (703) 255-8740.

Sincerely,

A handwritten signature in black ink that reads "Cutler Dawson". The signature is written in a cursive, slightly slanted style.

Cutler Dawson
President/CEO