First Tech
federal credit union

December 28, 2017

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

Dear Mr. Poliquin,

On behalf of First Technology Federal Credit Union I want to thank you for the opportunity to respond to your request for comments regarding the proposed changes to the Capital Planning and Supervisory Stress Testing requirements for covered credit unions. I also want to commend the NCUA for embracing regulatory relief while maintaining a focus on the safety and soundness of the Credit Union industry. We appreciate the NCUA's desire to adopt a phased approach to capital planning and stress testing, and your willingness to permit Tier I and Tier II covered credit unions to perform independent stress testing.

Our comments below are predicated on the belief that current statutes provide the NCUA with broad authority and discretion in setting strategy for the regulation and supervision of all NCUA regulated and/or insured institutions. Through this broad authority, NCUA has the ability to take a "risk-based" approach toward examination/supervision which could include application of a "light" regulatory burden upon institutions that are well-managed, well-capitalized and operating low risk strategies with much more direct and demanding strategy toward institutions of all sizes, including those that present systemic risk, whose operating models, capital levels, concentration risk or other elements of their risk profile demand higher levels of information and oversight. In others words, you have the authority to move away from a "one size fits all" approach to regulation, capital planning and stress testing for larger institutions, and into a truly risk-based strategy that places higher demands on institutions taking or posing higher degrees of risk with lower demands for low risk institutions. This could result in meaningful regulatory relief along with better allocation of resources for the NCUA and covered credit unions while greatly reducing somewhat wasteful information gathering and stress testing conducted by those institutions that pose little or no risk and where the NCUA likely spends little to no time reviewing submitted data and plans.

With respect to questions posed in your request for comment, and other NCUA and Treasury communication, First Tech requests your consideration of the following:

- Continue to support previously announced positions taken by the Treasury Department and NCUA board on changing the asset threshold for Tier I institutions to levels above $10 billion. We believe that the NCUA would benefit from thresholds that consider both quantitative and qualitative measurements of risk. This could include raising the threshold to $20 billion while leaving the NCUA with the broad authority to impose the standards on institutions of any size based upon safety and soundness concerns (e.g. weak PCA capital levels, high levels of interest rate risk, weak earnings, high rates of growth, etc.). As a specific recommendation, we believe regional examiners are well equipped to supervise low-risk credit unions holding up to $20 billion in total assets and that NCUA would be well served moving the threshold to this level. In cases where and institution holds assets of less than $20 billion, but whose risk profile presents heightened levels of risk, the NCUA may classify those credit unions as "covered credit unions" and expose them to heightened capital planning and stress testing requirements applied to ONES credit unions.

- Increase the asset size trigger for Tier II qualification and required stress testing from the proposed $20 billion to $35 billion to create better alignment with other regulatory agencies. Banking sector thresholds for stress testing are proposed to rise from $10 billion to $250 billion. In relative terms, the NCUA share insurance fund is approximately 1/7th the size of the FDIC insurance fund. 14% of $250 billion is approximately $35 billion. As noted above, you maintain the ongoing ability to set these levels at lower thresholds for institutions that present heighted levels of risk.

- For Tier II and III credit unions considered low risk, NCUA should reduce the frequency of the stress test from annual to once every three years. Low risk determination could be derived from the prompt corrective action and risk based capital ratios, from the CAMEL rating designation or the results of the last stress test, or some combination of all of the above.

- Please consider significant modification to the quarterly NCUA call report to mirror the data requirements found in FDIC call reports. While this would potentially impact a significant number of credit unions under $10 billion, the insight gained could provide more timely identification of emerging risk, reduce the amount of time field examiners need to be onsite during an exam and provide "early warning" indicators of credit unions experiencing distress.

In closing we wish to thank the NCUA for providing First Tech with the opportunity to comment on the proposed changes to the Capital Planning and Supervisory Stress Testing requirements. We support making meaningful changes to the processes conducting capital planning and stress testing in a way that reduces regulatory burden while enhancing the overall safety and soundness of the industry.

If you would like to discuss this further please do not hesitate to contact me at 650-386-7220 or via e-mail at Greg.Mitchell@firsttechfed.com.

Sincerely

Greg Mitchell
Chief Executive Officer
First Technology Federal Credit Union

CC: Chairman of the Board
NCUA Regional Director