

December 29, 2017

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

RE: Comments on Proposed Rule--Capital Planning and Supervisory Stress Testing

Dear Mr. Gerald Poliquin,

Patelco Credit Union appreciates the opportunity to comment on the NCUA's proposed rule for Capital Planning and Supervisory Stress Testing. Patelco is based in Northern California, has over 300,000 members, and nearly \$6 billion in assets..

While we agree with the concepts of less stress testing for smaller institutions and giving institutions time to develop stress testing methodologies as they grow larger, we think the appropriate scale of escalated testing is much higher than what you have proposed. We endorse the bill currently advancing in Congress to raise the asset minimum for supervision by the CFPB from \$10 billion to \$50 billion. The FDIC and other banking regulators only require extensive stress testing for banks with over \$50 billion in assets. Similarly, we think it appropriate for the NCUA to reassess the need for stress testing for credit unions under \$50 billion.

Given our opinion on assets levels, we are in favor of the higher \$25 billion cutoff between tiers.

The proposed tiers are a good start at addressing risk, but they actually only rank against asset size and how long a credit union has been at an asset size. It would be better to include some measure of complexity and risk other than just size. May we suggest a scale that includes a variety of factors, including financial health, the way the CAMEL rankings do. We faced the same poor definition of complexity with an earlier proposal for capital ratios.

We support your proposed publishing of acceptable stress testing models. Demystifying the process will surely lead to easier and greater adoption. We also support credit unions conducting their own stress tests. Credit

unions that can afford them hire outside auditors to check compliance and risk. Giving credit unions the tools to be able to do this themselves, even if they can't afford an outside auditor, is a good step toward controlling risk.

Thank you for the opportunity to comment on this proposed rule. We hope you find our comments useful in deciding how you will build our stress testing rules. If you have questions concerning this letter, please feel free to contact me at 925-598-3810.

Sincerely,

Jay Hartlove
Compliance Manager
Patelco CU

cc: CCUL