Golden 1
Credit Union

P.O. Box 15966, Sacramento, CA 95852-0966 **golden1.com**

December 27, 2017

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

SUBMITTED VIA EMAIL: regcomments@ncua.gov

Re: Golden 1 Credit Union – Comments on Proposed Rule – Capital Planning and Supervisory Stress Testing

Dear Mr. Poliquin:

Golden 1 Credit Union (Golden 1) appreciates the opportunity to submit comments concerning the National Credit Union Administration's (NCUA) proposed rule change for capital planning and supervisory stress testing. Golden 1 is a state-chartered, federally insured credit union headquartered in California, with over $11.4 billion in total assets. Golden 1 is the second largest credit union in California and the sixth largest credit union in the United States.

We believe capital planning and stress testing is an important element in ensuring covered credit unions are operating in a sound manner and are sufficiently capitalized to withstand adverse economic climates. Golden 1 definitely supports the effort to reduce regulatory burden in this area, however, the proposed rule does not appear to reduce regulatory burden for covered credit unions. The following are Golden 1's responses to the areas of the proposed rule change where the NCUA specifically requested comment.

$20 Billion Total Assets Threshold

Golden 1 believes a more appropriate threshold should be established at $50 billion in assets. This threshold would be more consistent with the banking approach to DFAST and CCAR. Banks between $20 billion and $50 billion do not conduct prescribed Supervisory Stress Tests (SSTs) on the behalf of the regulators. Prescribing covered credit unions to run incremental SSTs in addition to their stress tests used for capital planning will increase the regulatory burden as compared to similar sized banking peers.

Regardless of the threshold established for Tier II or Tier III, Golden 1 strongly recommends that Tier I covered credit unions be allowed to have five capital plan submissions before transitioning to Tier II, instead of the current proposal of three capital plan submissions. The extra two years will allow Tier I covered credit unions to focus on building strong capital planning and stress testing programs, with proper policy, governance, and quantitative approaches, prior to taking on the additional responsibility of conducting SSTs.

Within the first three years a Tier I covered credit union is still spending significant time and resources on formalizing the stress testing program, policies, governance structure, as well as quantitative approaches, and adding the incremental SSTs would be detrimental to the development of a solid capital planning framework.

Three Tiers Approach to Balancing Regulatory Relief for Covered Credit Unions

A tiered approach to capital planning and stress testing is appropriate. Larger and more complex credit unions, those that pose more potential risk to the NCUSIF, should have higher expectations regarding their capital planning and stress testing processes. Further, credit unions crossing the $10 billion threshold for total assets should be provided adequate time to build out policies, processes, and quantitative approaches. That is why we feel five capital plan submissions before transitioning to Tier II is more reasonable.

Golden 1 supports a tiered approach; yet, it appears while there may be mild regulatory relief in the language of the proposed rule change, there is also significant additional operational burden placed on Tier II and Tier III covered credit unions, as well as Tier I covered credit unions as they will have to incorporate and plan processes around development of SSTs. Additionally, adding incremental SSTs will come with additional operating expenses. Covered credit unions have already increased operational expenses significantly on compliance with this regulation.

Characteristics for Differentiating Capital Planning and Stress Testing Requirements

Golden 1 Credit Union supports the idea of utilizing financial characteristics to determine the three tiers of covered credit unions, which ultimately differentiate capital planning and stress testing requirements. Asset size, complexity, and financial condition are appropriate characteristics to consider when determining a covered credit union's risk to the National Credit Union Share Insurance Fund (NCUSIF) and their ability to address capital planning and stress testing expectations. However, the current proposal focuses only on asset size to establish tiers, and does not appear to incorporate complexity or financial condition.

Golden 1 believes that financial condition should be more strongly considered as a characteristic as covered credit unions that are well capitalized propose less risk to the NCUSIF. Net capital levels or Risk Based Capital (RBC) levels and overall complexity should be considered. Additionally, we would recommend covered credit unions with strong financial condition (i.e. net capital or RBC levels above a certain percentage) only perform SSTs every three to five years.

Timing of SSTs Submission to NCUA

Having covered credit unions conduct SSTs will require a significant increase in resources on an ongoing basis with the heaviest impact during the development phase. It is recommended that the submission date for SST results be established after the May 31 due date for the Capital plan. The SSTs are a distinctly different exercise than the stress tests credit unions utilize for capital planning that require different balance sheet and growth assumptions, different segmentations, and different forecasting horizons.

Having SSTs due July 31 would allow covered credit unions to focus on their credit union run stress tests and the preparation of the Capital Plan document through May 31, followed by SSTs in June and July. Additionally, this would align the SSTs submission date with the banking DFAST submission date and provide covered credit unions with the additional time required to perform the tests.

Retaining the Formal Approve/Reject Requirement for Tier III Credit Unions

Golden 1 believes that the proposal to retain the requirement for the NCUA to formally approve or reject the capital plan of a Tier III covered credit union is appropriate. Tier III is likely to pose the most significant risk to the NCUSIF, so retaining this requirement is prudent.

Quarterly Data Submissions

Although not addressed within the proposed rule, the quarterly data file submissions are very burdensome and are very timely to prepare for covered credit unions. If the NCUA is pushing the incremental SSTs to Tier II and Tier III credit unions, we would recommend the NCUA discontinue the requirement for covered credit unions to submit the quarterly data files.

Conclusion

Golden 1 appreciates the opportunity to comment on this proposal and hopes that this feedback is helpful. A tiered system for capital planning and stress testing is a practical approach, yet still effective for preserving the NCUSIF. We are definitely in support of a tiered approach and acknowledge the effort to help reduce some of the regulatory burden, however, the current proposed rule does not provide regulatory relief for covered credit unions as currently proposed. If you have any questions or would like to discuss Golden 1's comments in greater detail, please do not hesitate to contact me.

Sincerely,

GOLDEN 1 CREDIT UNION

Allyson Hill

Allyson Hill
Senior Vice President, Chief Financial Officer
(916) 732-2817
ahill@golden1.com