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September 7, 2018

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

**RE: Risk-Based Capital – Supplemental Proposal**

Dear Mr. Poliquin,

Orange County's Credit Union (OCCU) is thankful to have the opportunity to submit comments on NCUA's Risk-Based Capital-Supplemental Proposal. OCCU is a federally insured California State chartered credit union with \$1.6 billion in assets and serving 107 thousand members.

We are pleased NCUA revisited the Final 2015 rule and are proposing to raise the asset threshold level for coverage from \$100 million to \$500 million, amending six indicators in the complexity index, and moving the effective date from January 1, 2019 to January 1, 2020. Those are positive actions. Having said that, we still question the need for this expansive new regulation as the Credit Union industry is well capitalized and has proven its ability to sustain capital in all economic cycles.

➤ **Minimum Asset Threshold Level of \$500 million**

We recommend NCUA consider increasing the minimum threshold to \$1 billion in assets. We are curious what additional risk the 244 credit unions that have assets between \$500 million and \$1 billion pose to the NCUSIF? During the great recession, it is our understanding that smaller natural person credit unions were not responsible for major losses to the NCUSIF.

➤ **Using a Single Asset-Size Threshold**

While we understand a single asset-size threshold provides NCUA a clear, logical, and easy method to administer the proposed rule, we have concerns on using asset size for defining credit unions as complex or not. In defining a "complex" credit union, factors such as the types of member services (loans, investments and deposits) and portfolio composition need to be factored into the definition. In addition, the ability of a credit union's management team to administer the risk needs to be factored in. We recommend that the Regulatory Reform Task Force reexamine the appropriateness of using a risk based capital regulation based on a single asset-size threshold, complexity index and ratio because it does not measure the actual risk of a credit union nor take into account the amount of risk it poses to the deposit insurance fund.



➤ **Extending the Effective Date to January 1, 2020**

We support extending the effective date. While it would delay regulatory relief for credit unions between \$100-\$500 million in assets; it would provide more time for credit unions to become familiar with the new complexity index and complexity ratio.

Thank you for the opportunity to provide comments.

Sincerely,

A handwritten signature in blue ink that reads "Greg Krause".

Greg Krause  
Senior Vice President and Chief Financial Officer