MERCK SHARP & DOHME
FEDERAL CREDIT UNION

April 15, 2014

The Honorable Debbie Matz, Chairman
The Honorable Michael Fryzel, Board Member
The Honorable Richard Metsger, Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: NCUA Prompt Corrective Action – Risk Based Capital

Dear Chairman Matz, Board Member Fryzel, and Board Member Metsger,

On behalf of Merck Sharp & Dohme Federal Credit Union, I appreciate the opportunity to provide comments to the National Credit Union Administration on its proposed rule – Prompt Corrective Action – Risk Based Capital.

Our Credit Union has over $500 million in assets, serves 26,449 members worldwide, is well-capitalized, and has received stellar NCUA audits. Our membership is 90% high tech and professional employees who demand outstanding services and exceptional value. This composition makes them a highly desirable consumer by many financial institutions; thereby, placing us in a very highly competitive environment. In addition, we have managed our risk and increased earnings by purchasing long-term federal agency investments and selling long-term fixed rate mortgages.

While we are not opposed and support a Risk Based Capital approach, we do have concerns and we are opposed to the following areas of the proposed rule: weighting assignments on many of the asset classifications, implementation timeline and CUSO investments - all of which affect our ability to competitively serve our members. Specifically, we believe weighting long-term federal agency investments higher than 30 year mortgages is neither equitable nor reasonable. If you compare the seven year implementation timeline for banks to comply with Risk Based Capital under BASIL III, the proposed 18 month timeline seems insufficient for most credit unions to adjust to the proposed changes.

As for CUSO Investment weighting, we believe and would support a risk weighting system assigning values based on the business function of the CUSO. For example, our mortgage CUSO investment is assigned a weighting of 2.50% for generating assets that are assigned a weighting of 0.50% to 1.00%. It would appear we are being penalized for acquiring first mortgages via a CUSO.

As our main sponsor, Merck & Co., continues to downsize, it leaves many members without employment. Our members are turning to us for business loans to start a new chapter in their lives or reduce monthly debt service on properties, and depositing more funds as they plan for an uncertain future. Longer-term insured federal agency investments enable us to invest excess deposits and increase earnings to serve our members as a credit union.

The current financial industry grows increasingly competitive, and I believe the introduction of these new requirements would position our Credit Union at a distinct disadvantage by placing additional pressure on earnings, possibly requiring us to either eliminate products or services and/or increase fees to our membership. At a time in history when credit unions are making great inroads in servicing consumers, the timing of such a proposal would not only set back our Credit Union, but also the movement as a whole.

Thank you for the opportunity and forum to offer my concerns.

Sincerely,

David B. Whitehead
CEO

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Sincerely,

Patrice Kreidler

Patrice Kreidler
Vice President Operations

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Sincerely,

Dale Edwards
Vice President Lending

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Sincerely,

Dana DeFilippis

Dana DeFilippis
Vice President Finance

EQUAL HOUSING LENDER

Your savings federally insured to at least $250,000 and backed by the full faith and credit of the United States Government
NCUA
National Credit Union Administration, a U.S. Government Agency

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Sincerely,

Domenic DiPillo
Vice President Marketing

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