

May 27, 2014

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

Re: Comments on proposed Risk-Based Capital Rule.

Dear Mr. Poliquin:

The Baltimore County Employees Federal Credit Union has served the employees of Baltimore County, Maryland, its retirees and family members since 1963. For more than fifty years we have provide our members (1) a safe and secure place to save their money and (2) loans at reasonable rates for prudent and productive purposes. We have fulfilled this purpose while consistently receiving NCUA's highest CAMEL ratings for safety and soundness. As of March 31, 2014, we have met NCUA's definition of a "Well Capitalized" credit union.

The Baltimore County Employees Federal Credit Union appreciates the opportunity to submit comments on NCUA's proposed rule Prompt Corrective Action – Risk-Based Capital (RBC). I recently read Chairman Matz's explanation for the rule as "an effort to prevent another global financial crisis". While this may be a laudable goal, the proposed rule will most probably have the unintended consequence of having credit unions, like ours, take fewer risks. Taking fewer risks would result in credit unions providing less money (financing) to their members for first mortgage and student loans. Providing less financing for homeowners and students is not an appropriate remedy to improve the sluggish US economy.

Concerning the specifics of the proposed rule, the risk weights for loans and investments appear arbitrary and capricious rather than based on historical credit union loss ratios. Additionally,

- The risk weights that would be applied to our investment portfolio do not appear to take into consideration the credit risk associated with the issuer.
- The risk weights that would be applied to our first mortgage portfolio increase incrementally as the size of the first mortgage portfolio becomes larger. Historical data does not indicate that our rate of loss has increased as the portfolio has grown in size.

Respectfully, the Baltimore County Employees Federal Credit Union requests that NCUA carefully reconsider:

- The unintended consequences on the US economy that would most probably result from credit unions providing less financing to their members.
- Using risk weight amounts that reflect actual historical loss rates.
- Both credit and interest rate risk when developing risk weights for credit union investment portfolios.
- The logic and rationale associated with incrementally higher risk weights in relation to the size of a first mortgage portfolio.

Thank you for the opportunity to comment on the proposed rule.

Sincerely,

A handwritten signature in black ink, appearing to read "David P. Hagar", written in a cursive style.

David P. Hagar  
President

Cc: Senator Barbara Mikulski  
Senator Benjamin Cardin