



Sent by e-mail to regcomments@ncua.gov

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April 27, 2015

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

Dear Mr. Poliquin:

The Merck Employees Federal Credit Union (MEFCU) wishes to comment on the National Credit Union Administration's second proposal governing Risk-Based Capital (RBC2). By way of background, the MEFCU is a \$1.9 billion credit union serving 27,000 members. Under current rules or the proposed RBC2, we would be considered well capitalized.

RBC2 represents some improvement over the original proposal NCUA issued last year, but it remains flawed. NCUA continues to ignore its obligation to consider the cooperative nature of credit unions and seems determined to treat us more and more like banks. Although we acted in the best interest of consumers and came through the crisis with better results than banks, the NCUA has failed to remember this and needs to remember to act in a way to continue the credit union difference as it has served consumers over the last 75 years.

As Chairman Matz noted in her December 2011 Letter to the Governmental Accountability office, "consumer credit unions performed very well during the worst financial crisis since the Great Depression and NCUA was highly successful overall in mitigating failure and losses for consumer credit unions."¹ I would also point out the facts found in the CUNA Letter² the credit union performance over 5 years vs. the FDIC in the chart below.

FDIC vs NCUSIF Performance (2008 – 2012)		
	NCUA	FDIC
Deposit Insurance Fund Balance % of Insured Deposits		
Initial (2007)	1.29%	1.22%
Lowest (2009)	1.23%	-0.39%
Ending (2012)	1.29%	0.44%
Number of Failed Institutions	124	465
% of failures with > \$100 million in assets	21%	79%
% of failures with > \$50 million in assets	24%	92%
Total Insurance Premium (bp)	24	73

¹ Letter from NCUA Board Chairman Debbie Matz to Ms. A. Nicole Clowers, Director Financial Markets and Community Invest, United States Governmental Accountability office. December 19, 2011

² Letter from CUNA President Jim Nussle to Mr. Gerard Poliquin, Secretary of the Board, NCUA, page 5 dated April 17, 2015

So in addition to the possible lack of statutory footing, there is virtually no evidence of a need for a revision of credit union capital standards. The financial crisis that exposed the credit union system proved that the current system as structured has met capital requirements and there is no case for NCUA to adopt a new system. As you can see the chart below tells the story and there is still no compelling evidence.³

Capital Classification as of December 2007 Of 26 Credit Unions that Subsequently Failed			
	Current PCA System	RBC2	Change for Current to RBC2
Well Capitalized	21	15	Down by 6:4 to adequate, 2 to under
Adequately Capitalized	2	5	Up by 3:4 from well, 1 to under
Undercapitalized	2	5	Up to 3:2 from well, 1 from Adequate
Critically Undercap'd	1	1	No change
Total	26	26	19 no change, 7 to lower classifications

The impact of this new rule cannot be overstated enough while the second rule has lowered most risk weighing this rule remains complex and a cost benefit analysis should be undertaken prior to this rule being passed. A new fact in this rule is that a well-capitalized credit union based on the rule may need to develop a capital adequacy plan that would grant examiners additional latitude to determine that a credit union needs more capital. So why the new rule?

This new RBC2 requirement is not necessary for us as you already review Management, Risk profiles and current levels of Capital. If your examiners have concerns, I am sure they have no reasons to hold back on their comments and additional rule making it seem unnecessary to safeguard the NCUSIF.

In conclusion, the MEFCU asks the NCUA to withdraw this proposal in its entirety. Thank you for your consideration of these views and please act for the credit union system values and not simply for parity that that may or may not be necessary.

Very truly yours,

Raymond Del Nero

Raymond Del Nero
President/CEO
Merck Employees Federal Credit Union

³ Letter from CUNA President Jim Nussle to Mr. Gerard Poliquin, Secretary of the Board, NCUA, page 6 dated April 17, 2015