MERCK
Employees Federal Credit Union
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General Information (732) 594-3317

May 8, 2014

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

Dear Mr. Poliquin:

Merck Employees Federal Credit Union (MEFCU) appreciates this opportunity to comment on the Proposed Regulation for Risk Based Capital. MEFCU is a $1.9 million well capitalized credit union serving Merck & Co. and its family members. While we understand and agree with the concept of risk based capital for credit unions, we have significant concerns that this Regulation as proposed may cause unwarranted costs for our members and impede our ability to adequately meet their financial needs and grow.

In particular, the risk weights as proposed for many asset classifications exceed those that are in place for banks. This is a concern as credit unions do not have the ability to raise Capital except through earnings and during growth cycles, earnings follow growth. These requirements may then have the effect to (1) eliminate or reduce existing services or products; (2) charge our members higher fees; (3) raise loan rates and/or drop deposit rates; and (4) avoid or reduce asset growth. None of these strategies benefit our members or contribute to the long-term sustainability of the credit union charter. In addition this regulation is being written for the worst financial crisis of our lifetime when most credit unions maintained services and came through the period with only some minor problems while maintaining their Capital.

This new regulation in its current form requires excess Capital and does not reasonably reflect balance sheet risk for several reasons. The current formula concentrates too much on Interest Rate Risk, Credit Risk and Concentration Risk. Most of our industry maintained sufficient Capital through the last crisis and well above the Basel standards that banks must meet.

As proposed, these rules may help to lower short term risk at some institutions but they will increase systemic and long term risk for the industry at large. Adding the ability for NCUA examiners to arbitrarily determine Capital adequacy without some form of standards would not serve our industry, and in the long run make us less competitive in the financial marketplace.

Thank you again for the opportunity to comment on this proposed regulation.

Very truly yours,

Raymond Del Nero

Raymond Del Nero
President

/gw