MUNICIPAL CREDIT UNION
22 Cortlandt Street
New York, N.Y. 10007

May 23, 2014
Mr. Gerald Poliquin, Secretary of the Board
National Credit Union Adminstaration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Mr. Poliquin:

I am writing this letter on behalf of the Municipal Credit Union to comment on NCUA's risk-based capital proposal. Municipal strongly supports risk-based capital reform and many of the specific elements of NCUA's plan. However, for any risk-based capital plan to be truly effective, it must do more to differentiate between credit unions of different asset sizes and the investment and lending powers they have.

Municipal is the oldest and one of the largest credit unions in New York State, serving over 350,000 municipal employees and related SEGs and having over $2 billion in assets. The existing risk-based net worth framework makes it more difficult for credit unions to maximize their assets on behalf of their members than it is for a comparably sized bank. Consequently, NCUA should develop a more sophisticated risk-based capital framework. However, this proposal does not go far enough in giving larger institutions the flexibility they need commensurate with their expertise.

The current proposal applies to credit unions with assets of $50 million or more. However, a $50 million credit union's operational model and complexity is vastly different from that of a $2 billion credit union. The NCUA needs to acknowledge the differences between different asset sized credit unions and consider different risk-weight factors for credit unions of different asset sizes and organizational structures in the final RBC regulations instead of adopting a "one size-fits all" approach. Additional thresholds with additional investment and capital flexibility should be included in the final regulation in order for all credit unions to benefit appropriately from capital reform.

While we do not feel the existing proposal goes far enough in developing an RBC framework; there are aspects of the current proposal with which Municipal agrees. For example, higher risk weights for credit union investments in CUSOs and perpetual capital is appropriate as is a recognition that longer length investments do pose a greater risk to financial institutions than do shorter ones. In addition, excessive concentration is a concern that an RBC system should guard against.

Furthermore, we urge NCUA to resist any legislative efforts to couple risk-based capital reform with authorization for all credit unions to access supplemental capital. Access to supplemental capital could lead to for-profit institutions and high net worth individuals investing in credit unions via uninsured deposits. Their uninsured deposits would come at the expense of higher rate and dividend payouts for these individuals or influence the operating procedures of credit unions. Paying non-members a high dividend payout or allowing them to influence credit union operations is contradictory to the mission of credit unions, which is to best serve the needs of members. How do members benefit from credit unions catering to these depositors, who are not members? In addition, granting access to supplemental capital will undoubtedly lead to our industry being "attacked" by the bank lobby, which would have a much stronger argument for the taxation of Credit Unions. Taxation of Credit Unions effectively crushes the CU Movement and our industry, and it should always be our top priority to protect our tax-exempt status. Municipal is supportive of devising a risk-based capital framework that comprehensively addresses interest rate, concentration, liquidity, operational and reputational risk. All credit unions, irrespective of their size, have a stake in a well-capitalized, properly managed credit union system. NCUA's proposal is a step in the right direction but giving the same powers and imposing the same constraints on a credit union that has $50 million in assets as one that has over $2 billion in assets is a one size fits all approach that does not go far enough in addressing the capital reform needs of the industry.

Sincerely,

Michael Mattone
Assistant Vice President, Public Relations/Corporate Communications