

**St Joseph Medical Center MD FCU  
7601 Osler Drive  
Towson, MD 21204**

May 27, 2014

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

Via e-mail: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

**RE: Comments on Proposed Rule: Prompt Corrective Action – Risk-Based Capital.**

Dear Mr. Poliquin:

The St. Joseph Medical Center MD FCU serves the employees, physicians, volunteers and contract workers for the medical center located in Baltimore county, and its many family members in surrounding areas. We currently have 1800 Members and \$14 Million in assets. We appreciate the opportunity to submit comments on NCUA's proposed rule Prompt Corrective Action – Risk-Based Capital (RBC).

**St. Joseph Medical Center MD Federal Credit Union** feels strongly that this proposed rule is without merit. Furthermore, if the proposed rule is adopted, it will place an undue burden upon credit unions to comply. In fact, most affected credit unions would need to increase the amount of capital held in order to be “well capitalized,” and would likely face burdensome risk weightings that would serve as a disincentive to continue or enter into member business and mortgage lending programs, and long-term investments, inevitably pushing members to our competitors.

**Proposed risk-weights**

A number of the risk weights, especially for member business loan and mortgage concentrations as well as for CUSO investments, do not appear to be properly calibrated for credit unions. They are even higher than what is being imposed on banks by the BASEL III changes. Using higher risk weights on long-term assets to deal with interest-rate risk is misleading without considering liability maturities and other mitigating factors.

**Examiner discretion to change risk ratings**

NCUA would assume additional authority to impose higher capital requirements on individual credit unions. Unlike under the existing statutory net worth rules known as Prompt Corrective Action (PCA) regulations, credit unions would no longer have clear rules to avoid prompt

corrective action if the agency establishes its authority to use “judgment” on a credit union to make changes to risk ratings. This opens the door to inconsistent and arbitrary application. It would also diminish the boards and management to make financial judgments and oversee policy. Our recommendation is to remove section 702.105(c) from the rule entirely.

### **Implementation Date**

We also recommend that the proposed implementation date of eighteen months after becoming final be extended. This proposed time-frame does not give credit unions sufficient lead time to plan for and implement the new risk based capital ratio requirements. This is important as many credit unions may alter their balance sheet composition in response to the rule.

### **Conclusion**

**St. Joseph Medical Center MD Federal Credit Union** is requesting NCUA to carefully weigh our comments and consider withdrawing this flawed proposal in favor of opening a new dialogue with the credit union community. At the very least, we urge NCUA to pursue the appropriate amendments to this rule that will ensure a viable, well-balanced risk-based capital system is implemented. It will be extremely difficult for small credit unions like us to raise the necessary capital to meet the NCUA requirements to be considered “well capitalized”.

Thank you for the opportunity to comment on the proposed rule. If you should have any questions, please contact me at [dhall@sjmcfcu.org](mailto:dhall@sjmcfcu.org) **and 410-337-1893**.

Sincerely,  
**Diane Hall, CEO**

**Cc: Sen. Barbara Mikulski**  
**Sen. Benjamin Cardin**  
**Rep. John Sarbanes**