Hanscom Federal Credit Union

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May 27, 2014

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

RE: Hanscom Federal Credit Union Comments on Proposed Part 702 Risk Based Net Worth Rule

BY E-MAIL ONLY - regcomments@ncua.gov

Dear Secretary Poliquin:

I am writing on behalf of Hanscom Federal Credit Union to comment on the National Credit Union Administration (NCUA) proposed rulemaking relative to risk based net worth (RBNW) 12 C.F.R. Part 702. Hanscom Federal Credit Union serves approximately 54,000 members and has total assets of nearly $1.1 billion. I appreciate the opportunity to provide input on this rule that, as proposed, would restrict our ability to serve our members and weaken our historically strong financial performance.

1. **The proposed rule does not accurately capture risk management strategies**

Assigning risk weights to various asset classes with the focus on longer term assets and concentration limits overlooks strategies available to manage risk. Funding plans and policies play an important role in managing the interest rate risk posed by longer term assets. Sound underwriting and portfolio management strategies have allowed credit unions to successfully manage credit risk associated with loan concentration risk.

2. **Risk weights are too high compared to Basel III requirements for small banks**

Proposed risk weights assigned for mortgage loans, member business loans, investments and mortgage servicing assets are far higher than risk weights required for small banks under Basel III. This will compel Hanscom Federal Credit Union to hold far more capital than similarly sized banks in order to meet the needs of our members placing us at a competitive disadvantage.

3. **Risk weights for delinquent consumer loans should not be equal**

The risk weight assigned to delinquent secured consumer loans should not be equal to the 150% weight assigned to delinquent unsecured consumer loans. The equal weighing disregards the value of collateral in reducing potential losses.

4. **Risk weights for corporate perpetual capital are too high**

The proposed 200% risk weight assigned for corporate perpetual capital does not realistically reflect the multi-year withdrawal notice requirements to redeem non-perpetual corporate capital. The 100% risk weighting should be assigned to corporate perpetual capital as well.

5. **CUSO investments should carry lower risk weights**

CUSO investments, whether in the form of a loan or investment, carry similar risk of loss. CUSO investments should be assigned the same 100% risk weight as loans to CUSOs.

6. **The implementation period is too short**

The 18 month implementation period following approval of the final rule is inadequate given the complexity of the rule. NCUA should consider a longer term implementation period similar to that used by the FDIC.

Thank you for considering our comments.

Sincerely,

David P. Sprague
President/CEO