MECU
Baltimore's Credit Union

May 27, 2014

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

RE: Comments on Proposed Rule: PCA -Risk Based Capital

As Chief Financial Officer of Municipal Employees Credit Union in Baltimore, Inc. (MECU), I would like to take a moment to comment on the February 2014 National Credit Union Administration (NCUA) proposed risk based capital rule. I appreciate the opportunity to express my thoughts on this far reaching regulatory proposal and to express some of my concerns about the potential negative impact of the proposed rule on credit unions if finalized in its current form. While I am not opposed to the concept of risk-based capital, there needs to be major improvements in the RBC proposal.

MECU is a $1.2 billion credit union with over 106,000 members and was chartered in 1936 to serve our members' financial needs. In addition, MECU is considered a well-capitalized credit union. Even with the changes to a Basel-Style approach, MECU would be considered well capitalized today. However, the concern is that as we move forward and attempt to meet the needs of current and prospective members, MECU's future growth would be at stake. Higher capital requirements for credit unions with concentrations in real estate loans, member business loans (MBLs), and longer-term investments would curtail and/or limit MECU's future growth.

Risk is part of a credit union's daily existence. Capital must be accumulated by serving members while managing the risk that is inherent in providing that service, yet member service is always first and foremost. We want our members to own homes and we feel MBLs help compliment other loans in the portfolio and balance sheet. We do agree the industry's net worth ratio needs to reflect the underlying risks of each credit union. We feel the management at MECU has been managing that risk appropriately. We urge you to improve risk weightings for mortgages, investments, and other long-term assets. Furthermore, Basing the risk ratings of investments solely on their maturities only takes interest rate risk into consideration. A more meaningful measure would be to use credit risk. In addition, limiting the amount included in the numerator for Allowance for Loan and Lease Loss (ALLL) to 1.25% of risk assets should be eliminated. A better treatment for the NCUSIF deposit should be provided as well.

May 27, 2014

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

Sincerely,

Adrian Johnson
Senior Vice President and Chief Financial Officer

cc: Deborah Matz, Chairman
Michael E. Fryzel, Board Member
Richard Metsger, Board Member
Honorable Elijah E. Cummings, MD District 7
Honorable Andy Harris, MD District 1
Honorable C A Dutch Ruppersberger, MD District 2
Honorable John P. Sarbanes, MD District 3