



Bert J. Hash Jr.
President & CEO
7 East Redwood Street
Baltimore, Maryland 21202

May 19, 2014

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

Re: Proposed Rule - Risk Based Capital (RBC)

Dear Mr. Poliquin:

As the President/CEO of Municipal Employees Credit Union of Baltimore, Inc. (MECU) "not for profit, but for service" and "people helping people" has always been and continues to be our commitment. Currently, we have 13 branches, two of which are Student Branches. Our field of membership includes Select Employee Groups, residents of Baltimore City, those who attend school in Baltimore City and those who work in Baltimore City. We currently have a membership of more than 106,000 and an asset size of over \$1.3 billion dollars. We serve our members, our communities and we remain actively involved in the credit union movement whether local, state and/or federal. Through perhaps the worst financial crisis, we remained strong and supportive and thus this proposed rule in its present form raises questions and concerns.

Firstly, I am concerned about the interpretation of the application of this risk based capital standard to determine whether a credit union is well capitalized. Recent comments by the Honorable Alfonse M. D'Amato speaks to this and raises questions as to the intent of the inclusion of specific wording by this previous member and former Chairman of the United States Senate Banking Committee. By D'Amato's own admission, inclusion of "The Board shall design the risk-based net worth requirement to take account of any material risks against with the net worth ratio required for an insured credit union to be adequately capitalized may not provide adequate protection", simply meant "adequately capitalized". D'Amato clearly indicated that the intent was not to have a separate risk-based requirement to be considered well capitalized. The 7% net worth ratio was enough.

Secondly, the estimations of the effects of this proposal raises questions. NCUA estimates that only 200 credit unions would experience a decline in their prompt corrective action from well capitalized to adequately capitalized based upon the present form of this proposal. CUNA's estimation has a greater

number of credit unions that would fall from well capitalized into the adequately capitalized arena. Perhaps this is a merely a matter of differences in calculation; however, the outcome of these differences could be of great significance.

Lastly, examiner discretion to change risk ratings raises questions and concerns. The proposed section 702.105(c) would grant authority to impose higher capital requirements on individual credit unions that could exceed the well capitalized level requirements. Presently, the Prompt Corrective Action regulations provide clear rules to avoid imposed prompt corrective action if authority to use "judgment" on a credit union by credit union basis to make changes to risk ratings is established. In the proposal's present form, this would eliminate these rules. Additionally, in its present form examiner discretion touches upon the Board and Management responsibilities in overseeing and guiding the credit union and speaks to inconsistencies.

In closing I must say that this risk based capital proposal is one of the most significant that credit unions currently face. It is so important that enough time must be given in reviewing and discussing all comments and suggestions. It appears that the impact of this proposal in its current form may not be what NCUA actually intends thus I appreciate the opportunity to comment. I trust that you will do what is necessary to ensure that a well balanced capital system is implemented.

Sincerely,


Bert J. Hash, Jr.
President/CEO

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 Ruppensberger, MD District 2

Honorable John P. Sarbanes, MD District 3