MECU
Baltimore's Credit Union

May 22, 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 of member of the MECU Leadership Team whose focus is compliance and enterprise risk management, I appreciate the opportunity to share thoughts regarding the proposed RBC Rule.

Currently, MECU serves over 106,000 members with an asset size of over $1.3 billion. We presently have a total of thirteen (13) branches two of which are student branches. We embrace that we are here not for profit yet for service. As a certified Community Development Financial Institution (CDFI), our commitment and focus remains one of "people helping people" and we seek to serve the underserved. In its present form, this proposal raises questions on our ability to enter into and/or continue long term investments, member business and mortgage lending programs.
Programs such as these benefit credit union members; yet, may have to be re-evaluated based upon this proposal as currently written.

Credit Unions have been subjected to a plethora of new and/or adjusted regulations over the past 4 to 5 years and there doesn't appear to be an end in sight. Enterprise Risk Management appears to have also become a heightened focal point although the ability to manage organizational risk has always been a necessity. The cost associated with the implementation of the slew of regulations while managing risk is a shared one. Credit Unions seek to quickly comply and mitigate associated risk while trying to keep members needs and quality member service at the forefront. Implementation of this proposed rule within eighteen months after finalization does not appear to provide sufficient lead time for planning based upon the current new risk based capital requirements and associated changes for proper implementation. In its present form the proposed mortgage servicing risk rating appears to be a deterrent. The current mortgage market is a recovering one and the proposed rating may discourage credit unions from loan participations which ultimately speak to interest income and viability.

The Honorable Alfonse M. D'Amato recently spoke to the interpretation of the risk based capital standard. Based upon D'Amato's comments, there appears that there may be some misunderstanding as to the intent of the meaning of "well capitalized" as defined by the original US Senate Banking Committee. I ask that D'Amato's comments be given due consideration as the establishment of a separate requirement outside of the 7% net worth may not be necessary.

In closing I ask for additional review of the proposed risk weights. In their present form, they appear higher than what banks are currently subject to. I also ask for additional review regarding the discretion to change risk ratings and CUSO investments. For some credit unions the use of CUSO's to generate income enables them to provide products and services for their membership. Discretion to change risk ratings and impose higher capital requirements seems to open the door for challenges and questions regarding inconsistencies. Currently, Credit Union Boards are charged with governance. Credit Union Board Members and Management are responsible for utilizing sound judgment, making sound and informed decisions, overseeing and determining strategic direction. In its present form, this part of the proposal appears to diminish the responsibility of both groups.

Advanced thanks for taking the time to carefully weigh all received comments and concerns. I trust that adjustments will be made to ensure implementation of a well balanced and viable risk based capital system.

Sincerely,

Chris Vaughan

Chris Vaughan
AVP/Compliance

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