



Baltimore's Credit Union

May 19, 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

Dear Mr. Poliquin:

You could call me a life credit unionist as I've been a part of the credit union family for over 40 years now. I joined the credit union family as a Loan Officer in 1972 and presently serve as the SVP/Chief Lending Officer of MECU - Municipal Employees Credit Union of Baltimore, Inc. In April of this year the Board of Directors selected me to serve as the next President/CEO of MECU. I will be assuming that position in July of this year following the retirement of our present President/CEO. We are a \$1.3 billion dollar credit union with membership of over 106,000 and growing. The members we serve include those who live, work and go to school in Baltimore City and we are extremely active in our communities. As I reviewed this proposal in its present form, I have some concerns about it and the short term and long term impact that it could have on not just MECU but all credit unions. I take this opportunity to share with you my concerns from a lender perspective.

#1.) Mortgage Loan Risk Rating

In my current position of SVP of Lending/Chief Lending Officer a mortgage loan servicing risk rating of 250% jumped out at me as it seems to be excessive. I don't believe that your intent is to discourage credit unions from loan participations; yet, in today's still recovering market, this proposed risk rating will likely discourage credit unions from this type of activity. In its present form, this proposal sets standards that are higher than those outside of the credit union arena who provide this service. The ability to compete and provide service in this area based upon this present proposal will be impacted.

#2.) Member Business Lending (MBL) - 702.104(c)(2)

In its present form the proposal adjusts the minimum risk ratings in this area. The justification for this appears to be based on the FDIC proposal that maintains a 100% base and 150% for high volatility which is defined as development lending. Concentration risks will increase to over 15% due to those credit unions who have concentration in one type of MBL. Increasing the percentage is the present solution as opposed to obtaining additional information on those credit unions who have this type of concentration.

My concern is the overall impact of this and the resulting difficulty for those credit unions who mainly originate MBLs to continue to offer this service.

#3.) ALLL - 702.104(b)

The proposal analysis indicates the following "By establishing a limit in the amount of ALLL included in the numerator the proposed rule would provide an incentive for granting quality loans and recording losses in a timely manner". In its present form this appears to imply that without this rule credit unions may not seek to secure quality loans nor promptly record losses. Some credit unions may make higher credit risk loans; however, this may be based upon that credit unions field of membership.

In summary, in its present form there are concerns about this proposal and subsequent impact. Some of it speaks to interpretation and justification. How NCUA defines "poor liquidity or cash flow" is not presently known. I concur with NCUA. Solidification of the credit union movement is good and I don't think many credit unionist would object to that. The question becomes how does this proposal in its present form accomplish that? Credit Unions are here to provide service and help people. Our ongoing ability to do that in a environment that we had not previously seen is increasingly challenging. Taking a look at all aspects of this proposal in its present form and evaluating the short and long term impact upon us, is paramount to our survival.

Thank you for the opportunity to comment.

Sincerely,



Gary J. Martin
SVP/Chief Lending 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 Ruppertsberger, MD District 2
Honorable John P. Sarbanes, MD District 3