MISSION
FEDERAL CREDIT UNION

April 10, 2015

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

RE: Comments on NCUA Risk-Based Capital Proposed Rule

Dear Mr. Poliquin:

On behalf of Mission Federal Credit Union, serving over 180,000 members in the county of San Diego, California, I am writing to you regarding the proposed risk-based capital rule. We very much appreciate the opportunity to provide our thoughts on this important regulatory proposal.

From our point of view, Mission Fed is generally in favor of stronger capital requirements for credit unions, including a risk-based approach. We feel that stronger capital is a benefit to our industry and the insurance fund. The approach the NCUA is proposing, however, appears to be a reaction to the economic crisis of the past, rather than a forward looking view. It also, frankly, seems needlessly complex at 450 pages! Most credit unions are very small, especially when compared with the banks, and this comparison is what the NCUA seems to be inclined to do, even with respect to the chart comparing the NCUA proposal and FDIC requirements. The credit union business model, however, is very different, and generally much less complex. As such, this requirement seems unnecessarily burdensome. If it were to be implemented as proposed, credit unions would find themselves at a competitive disadvantage to banks. The proposed rule is one-size-fits-all and would serve to stifle growth, innovation and diversification within credit unions.

The NCUA guidance (RBC estimator) shows that under this proposed capital plan, Mission Fed's position is very strong at 22.75%. Nevertheless, we have specific concerns on the potential negative impact of this new regulation on Mission Fed in the future, specifically with respect to our CUSO investments and mortgage servicing rights.

We believe that the 150% CUSO weighting for unconsolidated CUSOs is misguided and will hurt the value of existing CUSOs as the capital required to support them will significantly increase. This will also make it more difficult for credit unions to use CUSOs to diversify revenue streams and will serve to impede innovation. The proposed 150% risk weight also fails to consider that many types of services provided by CUSOs are quite low-risk and embody the spirit of our cooperative movement.

With respect to mortgage servicing rights, the 250% weighting seems excessive, especially for loans sold without recourse. At Mission Fed, we sell many of our mortgage loans to mitigate risk on our balance sheet, but retain servicing to ensure strong member service. We originated $297,719,800 in first mortgages in 2014; $87,218,800 (29.30%) were either sold or available for sale. 100% of our sold mortgages were delivered non-recourse and with

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servicing retained. This rule punishes us for a decision we feel is in the best interest of our members and reduces risk to our credit union.

We are aware and concerned with the divergent opinions regarding this proposed regulation, including the various opinions as to the legality of the NCUA's authority to issue such a rule. Congress has not expressly authorized the Board to adopt a two-tier risk-based net worth standard. NCUA Board Member J. Mark McWatters, the dissenting vote on the proposal, called NCUA's lack of legal authority the most "fundamental issue presented before the Board." We believe this issue should have been resolved prior to the issuance of any rule.

While we are pleased with the NCUA's willingness to make many of the changes in the revised proposal, we are not convinced of the legality or necessity of this new rule. And there is one very important question that should be asked, "Do the benefits from this new regulation outweigh the costs to our industry?" Our opinion is that they do not. We believe that this is an overly complex, costly and unnecessary regulation and we urge the NCUA to reconsider the implementation, as proposed.

Thank you for your continued commitment to listen to feedback from credit unions on this important issue. Should you have any questions or would like to discuss these issues further, please feel free to contact me debras@missionfed.com.

Sincerely,

DMSchwartz

Debra Schwartz
President and CEO