April 22, 2015

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

RE: Comments on Proposed Rule: Risk-Based Capital; RIN 3133-AD77

Dear Gerald Poliquin,

On behalf of Erie Federal Credit Union, I appreciate the opportunity to comment on NCUA's proposed amendments to the Risk Based Capital (RBC) rule.

Erie Federal Credit Union is a federally insured, community chartered credit union serving 51,394 members from Erie and Crawford counties in Northwestern Pennsylvania. We currently have $441 million in assets.

Allow me to offer the following comments on the proposed rule:

It is encouraging to note that NCUA has listened and responded to credit union concerns about lowering the 10.5% well-capitalized requirement to 10%, although the question still remains as to whether separate RBC requirements for well-capitalized and for adequately capitalized credit unions are permissible under the Federal Credit Union Act.

While RBC2 is an improvement over the original proposal, it remains fundamentally flawed. The rule serves no constructive purpose. A Cuna study shows that only one of the 189 credit unions that failed during the most recent financial crisis would have been exposed by this rule prior to failure. *One credit union would have been exposed by this rule prior to failure.* Natural person credit unions and the NCUSIF have a proven and strong performance history as recognized during the most recent financial crisis and the Great Depression, especially when compared to banks and the FDIC. Reflecting upon this information I must full-heartedly agree with, Cuna President and CEO, Jim Nussle's comment on the proposed RBC2 rule as "a solution in search of a problem."

In conclusion, the complexity of a credit union should not be based on size alone. The complexity of a credit union should be determined by considering the numerous facets of each credit union's operations, including portfolio of assets and liabilities, product and service offerings and operational structure within the credit union. Factors to consider include deposit account types, remote service channel offerings, loan and investment types and portfolio composition, risk assessment and mitigation methods and historic loss metrics. Organizational structure elements may include in-house compliance resources, internal audit, legal resources, third party relationships, CUSO involvement, etc. A one-size fits all model based on asset size alone is not enough to determine the complexity of a credit union. If a limit must be set based upon asset size alone, I would suggest $500 million, as this is the asset size typically referenced as to when dramatic changes in the operations of a credit union are realized.

Summary of my position:

Please reject the risk-based capital proposal under consideration as it is unnecessary. The FDIC has rejected risk-based capital standards in favor of a simple and direct tangible equity to tangible asset formula. Credit unions did not cause the most recent economic crisis. NCUA Chairman, Debbie Matz, stated in a December 2011 letter to the Government Accountability Office, "consumer credit unions performed very well during the worst financial crisis since the Great Depression and NCUA was highly successful overall in mitigating failures and losses for consumer credit unions." It seems undesirable to place insupportable requirements on a historically strong and proven financial model.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital.

Sincerely,

Brian J. Waugaman, CEO

Erie Federal Credit Union

Sincerely,

Brian Waugaman
Chief Executive Officer
Erie FCU

cc: CUNA, CCUL