Hanscom Federal Credit Union

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April 23, 2015

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

RE: Hanscom Federal Credit Union Comments on Proposed Risk Based Capital Rule (RBC)

BY E-MAIL ONLY - regcomments@ncua.gov

Dear Secretary Poliquin:

I am writing on behalf of Hanscom Federal Credit Union to comment on the National Credit Union Administration (NCUA) proposed rulemaking relative to risk based capital. Hanscom Federal Credit Union serves approximately 57,000 members and has total assets of nearly $1.1 billion. I appreciate the changes NCUA made to the revised proposed rule and welcome the opportunity to provide additional input. Unfortunately, the revised rule, as proposed, would still restrict our ability to serve our members and weaken our historically strong financial performance. Specific concerns are outlined below.

1. **NCUA lacks the authority to implement the proposed rule**

Legislative leaders and industry trade associations have opined that NCUA lacks the statutory authority to implement separate risk-based capital minimums for adequately capitalized and well capitalized credit unions. Careful reading of the Federal Credit Union Act supports this position.

2. **Definition of Complex Credit Union is too low**

The increase in the threshold for credit unions to be defined as complex from $50 million to $100 million is a positive change from the initial proposal. However, the threshold is still too low when compared to the bank threshold and should be increased to $500 million.

3. **Risk weights for junior-lien residential real estate loans are too high**

Proposed risk weights for junior-lien residential real estate loans are too high and should be the same as those for current first-lien residential real estate loans. We are an active lender for both first and junior-lien real estate loans and our loss experience on junior-lien real estate loans is lower than on first lien loans. Junior-lien loans less than or equal to 35% of assets should be assigned the same 50% risk weight as first lien loans. Junior-lien loans greater than 35% of assets should be assigned the same 75% risk weight.

4. Risk weights for delinquent junior-lien real estate loans are too high

The risk weight assigned to non-current junior-lien real estate loans loans should be equal to the 100% weight assigned to non-current first-lien residential real estate loans. As noted above our loss experience is lower on junior-lien real estate loans.

5. Equity investments in CUSOs

Equity investments in unconsolidated CUSOs should be weighted at the same 100% rate as loans to CUSOs. The risk analysis for investments in CUSOs is identical regardless of whether the investment is structured as a loan or equity. CUSO investments constitute a very small portion of credit union balance sheets and pose little risk to the industry.

6. Risk weights for corporate perpetual capital are too high

The proposed 150% risk weight assigned for corporate perpetual capital is an improvement over the initial proposal but is still too high. Changes in corporate credit union regulations implemented over the past few years have dramatically lowered the corporate credit union risk profile. A 100% risk weighting should be assigned to corporate perpetual capital.

7. Risk weights for the carrying value of mortgage servicing assets are too high

The carrying value of mortgage servicing assets must be regularly evaluated for impairment and adjusted accordingly as required by GAAP. An arbitrary 250% risk weight ignores this requirement and is too high. A more realistic risk weighting is 100%.

8. Risk-based capital numerator deductions

Deductions from the risk-based capital numerator proposed for the NCUSIF deposit and goodwill should be eliminated. In accordance with GAAP the NCUSIF deposit and goodwill are carried as assets which are evaluated for impairment. As such they should not be deducted from the numerator. In addition, we would be less likely to consider a merger as the surviving credit union if goodwill were not counted as an asset. This will reduce non-supervisory assisted mergers limiting options and increasing costs to the NCUSIF.

Thank you for considering our comments.

Sincerely,

David P. Sprague
President/CEO