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Baltimore County Employees
Federal Credit Union

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April 24, 2015

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

Re: Comments on the Revised Risk-Based Capital Rule.

Dear Mr. Poliquin:

The Baltimore County Employees Federal Credit Union appreciates the opportunity to submit comments on the Revised Risk-Based Capital Rule (RRBC). However, it's discouraging that the revised rule fails to address any of our previous concerns with the original rule and the arbitrary and capricious nature of the risk weights with (1) no consideration of historical loss ratios, (2) no consideration of the credit risk associated with the borrower or issuer, (3) no justification for increased risk weights due to the size of an asset class and (4) no consideration given to the average life or duration of a particular asset class and the balance sheet, including the liabilities, in total.

It's also discouraging to read Chairman Matz's and Vice Chairman Metsger's analysis of the 192 credit unions that failed over the last 10 years and the fact that they had an average net-worth of 12.1 percent two years before they failed. Obviously their lofty net-worth ratios couldn't prevent their failure. Correctly, Chairman Matz indicates that she is not advocating that each credit union needs to have net-worth over 12 percent but rather enough capital to offset its risk and concentration in "high-risk assets". However, somehow she is willing to consider a 10% net-worth ratio as "well-capitalized".

It's not the concentration in "high-risk assets" that should be the sole basis of a credit union's net-worth ratio. Rather, NCUA should be concerned with the management of the assets, as indicated by the 192 failed credit unions despite their 12 percent net-worth. Management of a credit union's assets goes well beyond the arbitrary risk-weights and net-worth ratios outlined in the original and revised rules. Surely, Chairman Matz and Vice Chairman Metsger would agree on this point.

Respectfully, I ask that NCUA reconsider the original and revised rules and draft a rule that better captures and quantifies the risk of each individual credit union as determined by their management of the deposits entrusted to them by their members.

Sincerely,



David P. Hagar
President

23 W. Susquehanna Avenue, Towson, MD 21204
8640 Ridgely's Choice Drive, Baltimore, MD 21236
410-828-4730 • 1-800-234-4730