April 24, 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,

I am writing on behalf of Mutual Security Credit Union. We have over 29,000 Members and $258M in assets. Mutual Security Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed amendements to the Risk Based Capital Rule.

We are opposed to the implementation of the Risk-Based Capital Proposed Rule for the following reasons:

The RBC calculator does NOT give different weights to variable rate mortgages verses 1st Fixed Mortgage categories. These two mortgage types vary greatly by nature, therefore consideration should be given to each one and what it represents in terms of risk. More equity value minimizes risk and should have a much lower risk weight. A lighter weight(<50%) should be given to the variable rate loans due to the fact that interest rate risk is less that 1 st fixed mortgages depending on the re-pricing terms and equity.

“Cash” on line 52 on the RBC Simulator is given a weight of 20%. This cash represents investments as well as monies we hold with our Corporate Credit Union EasCorp which is monitored itself by the NCUA. Our investments do not exceed $249k with any other institution and are insured up to that amount. No weight should be given to this category due to the risk factor being minimal and should be treated identical to the “cash, currency and coin” category in terms of risk

The Current Secured loans have a weight of 75% which is “higher” than the 1st Mtg Real Estate Loans (<35%). These loans are almost all primarily New and Used Vehicles with an average life of 36 months(less than 1st Mtgs) and are all secured by titles. The risk on these is clearly less than the 1st Mtg Real Estate Loans and therefore should have a “lower” rating or “even” rating at most to those Real Estate Loans which are weighted at 50%.

Delinquencies on Secured Consumer Loans and Unsecured Consumer Loans should be given different weights. Currently both categories are weighted at 150% which makes no sense given the fact that one is secured and one is not. It would make more sense to weight the Unsecured Loans at a higher level (75%) and the Secured Loans a step down (50%) due to the fact that the Secured delinquent loans have recourse if the loan has to be written off.

The incentive to engage in a Loan Participation Sale as a vehicle to increase liquidity is *minimized* by the fact that the cash received by the sale would most likely be reinvested in short term investments. Again, the short term investment category is given a weight of 20% which is obviously less than the category of mortgage assets (75%) which you would be relinquishing but the overall impact would be greater if the weight were zero as mentioned above.

All risk weights are higher than required. Where is the reasonableness test?

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

Sincerely,

Larry Holderman
President/CEO
Mutual Security CU

cc: CUNA, CCUL