

From: [Brandon Michaels](#)
To: [Regulatory Comments](#)
Subject: NCUA Proposed IRR Regulation Part 741
Date: Friday, May 20, 2011 3:59:47 PM

Mary Rupp
Secretary of the Board
NCUA
1775 Duke Street
Alexandria, VA 22314-3429

Re: Proposed IRR Regulation Part 741

Dear Members of the NCUA Board of Directors:

Thank you for allowing me the opportunity to respond to the proposed IRR Regulation - Part 741.

I am concerned that the NCUA, with the passing of this regulation, will create a system of contradiction. In your rule, you state, "IRR management involves judgment by a FICU based on its own structure, mission, and circumstances. Any rule must take into account the diversity of FICUs and avoid a one-size-fits-all approach," yet the entire proposal begins with, "The Board therefore believes it is appropriate to create a regulatory requirement...supported by clear and comprehensive guidance." This is completely contradictory and will do nothing to ensure examiners are consistent and thoughtful in their analysis.

Additionally, I cannot find in the proposed rule why NCUA feels additional regulation is necessary. Interest Rate Risk is part of the overall Asset Liability Management program all credit unions must manage. What will creating an additional regulation provide? Furthermore, if credit unions have been allowed to get away with substandard interest rate risk monitoring, I would argue that it is the fault of your examiners--not credit unions, and therefore doesn't need to be A NEW regulation.

You state in your letter that examiners will determine what an effective interest rate risk policy is. What do you define as effective? I am concerned at the consistency of 'effective.' What if an examiner comes in one year to deem the program adequate, only to have a different examiner the following year deem it inappropriate? I am then forced to change policy and practice based on the waving tides of examiner opinion. This hardly seems like the best approach. The lack of consistency of your examiners has been widely publicized recently, especially across regions.

The proposed rule states that less than 800 credit unions will be severely affected by this rule. That is approximately 1% of credit unions. It appears that NCUA is attempting to manage to the exception, rather than the 'rule.' This is no way to effectively lead. Putting a regulation in place that will, on the surface, only affect 1% of credit unions will have severe unintended consequences for the remaining 99%.

The unintended consequences of this proposed rule are profound. Checklists, and subsequently rote examining, will become the norm. Examiners will want a checklist to ensure they are monitoring and examining each credit union's interest rate risk policy the same way. That checklist will undeniably become the norm in examinations. Maybe not tomorrow, but certainly within a period of time.

In closing, I do not think the Board of NCUA truly understands the unintended consequences of implementing this rule. The decision of an effective program now rests on checklists. The management of interest rate risk and, to a larger degree ALM, is complex and should be left to those who are most familiar with the institution and its assumptions, not examiners who have proven their level of effectiveness in the last several years. This proposed rule does not provide sufficient notice of concern to increase the regulatory burden on credit unions.

Thank you for allowing me the opportunity to express my concerns and doubts over the proposed interest rate risk rule. If I can be of further assistance, please don't hesitate to contact me.

Sincerely,

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