

Date: May 23, 2011

Ms. Mary Rupp
NCUA, Secretary of the Board
1775 Duke Street
Alexandria, VA 22314-3428

REF: 12 CFR Part 714
Interest Rate Risk
(Proposed Rule)

Dear Ms. Rupp:

While Arkansas Federal Credit Union does not disagree with the need to have the appropriate regulations to properly carry out its charter to monitor and supervise credit unions, we disagree with the need to add one more regulation to accomplish that end. The following is a listing of reasons for disagreeing with the need for one more regulation:

1. In the written policy requirements, as printed in the Federal Register, it states: "NCUA estimates, however, that approximately 75% of these credit unions already have interest rate risk policies in place as part of their lending and asset management policies. Therefore, they will not have to undertake any significant additional burden as a result of this rule making. Why penalize the all the credit unions when the 25% of the credit unions that do not have this in place, 200 (800 times 25%) according to a later statement in the Federal Register, do not have the appropriate policies.
2. While it is minor, the Burden Calculation, as printed in the Federal Register, is in our estimation grossly understated. To think that the collection, establishment of limits, assessment, and review of all of the financial data involved can be accomplished in 16 hours is absurd. The NCUA should at least request a review of the time estimate from a sampling of credit unions rather than make up numbers to make it appear that this proposed regulation is not onerous. How often is this 16 hours to be expended.
3. This proposed regulation would appear to throw all credit unions into one bucket for comparison. It does not seem to give any credit to a credit union that is mitigating its long term risks with for example borrowings from the Federal Home Loan Bank. It also does not give credit/allowance for other factors that may face individual credit unions. For example, economic environment, competition or lack of, diversification of membership base. It appears that each individual examiner will be plugging numbers into a sheet to justify that the credit union they are examining matches up to a preset criteria established by the Peer group.
4. The proposed policy states that "Policy provides for use of outside parties to validate the tests and limits commensurate with the risk exposure and complexity of the credit union". What are the requirements and credentials to be an "outside party?" There are requirements for CPA's. Data Processors are reviewed by the NCUA. What are the standards and/or criteria for these outside parties.
5. The proposed regulation suggests using GAP for simple balance sheets. How many credit union over \$500 million would fall under this simple/outmoded IRR measurement method?

6. The proposed regulation appears to be a solution in search of a problem. The NCUA does not have a very good track record, as demonstrated by the bailouts of the various corporate credit unions, and why would the implementation of a new regulation, administered by relatively inexperienced examiners produce the results that should be expected from this regulation.

If you have any questions, please call or write.

Sincerely,

Terrance Borreson
Sr. Vice President/CFO