Community Plus Federal Credit Union

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May 23, 2011

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

Dear Secretary Rupp:

This letter is in response to the NCUA request for comment regarding proposed Interest Rate Risk (IRR) regulations. Our credit union certainly supports the objective of the IRR management, and has addressed this for a number of years through our Asset-Liability Management policy. However, we have serious reservations about the regulation as written.

Although the proposed regulation states that a FICU should devise a policy and risk management program appropriate to its needs, there are likely to be unintended consequences of this regulation that will have the opposite effect. We are especially concerned about a "one size fits all" approach that seems to happen too often these days. We fear that examiners will work from a checklist, and rather than determining if the credit union's program is adequate for its needs the examiners will instead just look to make sure they are addressing everything is on the list. An example of this is the inclusion in references to GAP analysis. Few credit unions use this out-dated measure, even if their software generates those reports. Another example is in the area of assumptions. Again the concern is that examiners will want all credit unions to use a common set of assumptions instead of taking the time to make correct assumptions.

Another unintended consequence is that credit unions will set the lowest possible minimum standards in order to remain in compliance.

At times credit unions find themselves outside of their IRR guidelines. This may be due to macro conditions beyond their control. When that occurs they need the flexibility to develop a plan of action to correct the situation.

The regulation's appropriate policy limits focus on percentage changes (and limits on them) as opposed to the actual risk profile. Percentages especially are subject to misleading information. If

the current level of ROA is high then a drop in ROA will trigger a larger drop in projected net interest income while a credit union with a low ROA already could have better looking results when in reality their ROA became unacceptably low. This also raises the question would any credit union with negative earnings be “out of compliance”? If that were the case 40% of all credit unions would have been out of compliance in 2010.

The proposed regulation states that credit unions have historically managed their IRR. If that is the case, then the existing tools used by NCUA examiners will be adequate to meet the challenges of IRR management. Our movement is struggling to recover from the combined effects of the collapse of a housing bubble, the restructuring of our corporate credit union system and the resulting assessments, and a wave of consumer regulation that is unprecedented. For our primary regulator to be proposing a new regulation that greatly extends the reach of already adequate tools threatens additional stress on an already stressed system

Very truly yours,

Michael Daugherty, CPA
President/Manager