



VIA E-MAIL: regcomments@ncua.gov

Ms. Mary Rupp, Secretary of the Board
National Credit Union Administration
1717 Duke Street
Alexandria, VA 22314-3428

May 23, 2011

Re: Proposed Rulemaking for Part 741, Interest Rate Risk

Dear Ms. Rupp:

This letter represents the views of Alaska USA on NCUA's proposal to amend Part 741 of its regulations to add a new rule on management of interest rate risk (IRR).

The proposal is to amend NCUA regulations on federal share insurance to include a requirement that federally insured credit unions have a "written interest rate risk policy and an effective interest rate risk management program." Accordingly, if a credit union fails to maintain such a policy and program, they risk losing NCUSIF coverage for their members' accounts.

We support proper IRR management, but do not agree with NCUA's brief justification for making compliance with the requirements of the proposal a condition that credit unions must meet to obtain and continue NCUSIF coverage. As noted by the Supplementary Information, compliance with IRR management must be tailored to a credit union's objectives, financial condition and membership needs, which means it is subjective. To impose the sanction that insurance could be lost based on the examiner's subjective evaluation of the credit union's IRR management and related policies is inappropriate.

We believe there is no need for a separate rule on IRR. Our view is reinforced by the agency's own assessment of credit union's IRR management. The Supplementary Information states that: "In the past, NCUA issued guidance on ALM and IRR management in Letters to Credit Unions and believes FICUS generally are managing IRR adequately."

In addition, the Supplementary Information acknowledges that it is "impossible to establish specific, regulatory requirements for IRR that would be appropriate for all FICUS." The proposed rule would nonetheless rely on credit unions' implementation of proposed "guidance" that accompanies the proposed rule changes. The guidance would be used by examiners as specific, regulatory requirements for IRR. Examiners will utilize the guidance as a checklist and rigidly enforce it thereby micromanaging the IRR process. This is unjustified.

Again, we do not believe a separate rule on IRR management is necessary, and in any case should not be tied to NCUSIF coverage for credit unions and their members.

Sincerely,

A handwritten signature in black ink, appearing to read "W. B. Eckhardt".

William B. Eckhardt
President