August 23, 2011

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Ms. Rupp:

I am writing an abbreviated response to the ANPR on derivatives. Thank you for the opportunity to comment.

Ent Federal Credit Union is a $3.2 billion credit union located in Colorado Springs, Colorado. We have a relatively complex balance sheet and have managed our balance sheet conservatively over many years. In the recent/current market environment, we see a need, as many credit unions do, to utilize new tools to manage interest rate risk. Thus far we have engaged in borrowing, borrowing with embedded caps and in selling assets to manage risk. However, these tools can only be effectively used for a certain period of time before we must look to more sophisticated, more efficient tools to manage risk in order to continue to serve member needs.

Though derivatives hedging is the most effective and efficient tool to manage interest rate risk, we have avoided entering into this arena due to increased demands related to board education and involvement as well as accounting complexities. However, we are now at the point to take that next step and utilize these tools.

In speaking with other credit union CFOs, I hear more and more interest in such a program. Removing the authority to utilize derivatives to hedge interest rate risk at a time when more and more credit unions desperately need more tools would be detrimental to the credit union industry.

I have pulled out a few of the issues in the ANPR for comment below:

<u>Whether to discontinue allowing Pilot Programs for FCUs and third parties to engage in derivatives activities to offset IRR and, if so, whether to terminate such existing Pilot Programs</u>

1. Should existing Pilot Programs for FCUs to engage in derivatives for IRR management be permitted to continue? Explain why or why not.

    As I understand them, pilot programs were intended to be used as a way of allowing use of a new set of permissions by a restricted group of credit unions prior to introducing the permissions to all credit unions. This pilot period was to allow the agency to monitor utilization, results, staff training, examination requirements, etc. This pilot program was not heavily utilized until recently because most credit unions did not need to use derivatives. Now is the time to take the pilot program and incorporate it into the Rules and Regulations thereby allowing credit unions meeting certain requirements to use this method to manage interest rate risk.

2. Should such Pilot Programs for FCUs be permitted to continue by "grandfathering" the previous approvals into Part 703? Explain why or why not.

Grandfathering of the previous approvals should be permitted to avoid program disruptions in those few credit unions that have been approved in the past and have initiated a program.

Whether to allow FCUs to independently engage in such derivatives activities by waiver provided they meet prudential standards

1. Should the NCUA Board consider allowing credit unions to engage in derivatives activity independently? Explain why or why not.

   Yes, but only under a very narrow set of restrictions focusing on the experience level of staff directly involved in the modeling, analysis, and management of such a program.

2. What are the attendant criteria, such as, asset size, capital adequacy, the balance sheet composition of a credit union, or risk exposure with and without derivatives, that NCUA should take into consideration in evaluating an FCU's request for approval to engage in derivatives independently? Specify and explain any criteria that are essential.

As mentioned above, permission for independently managing a derivatives program should primarily focus on the experience level of staff directly involved in the modeling, analysis, and management of such a program. Related staff should have extensive experience in all areas of such a program. If the experience is not present, the credit union should be required to partner with a third party consultant for implementation and management of the program. I would expect that very few credit unions would have sufficiently qualified staff to engage in a derivatives program independently. However many, many credit unions need to be able to use such tools for IRR management. Therefore the vast majority of participants in such a program would be expected to go through a third party consultant to access such powers.

Sincerely,

MJ Coon, SVP/CFO
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