New England Federal Credit Union

August 23, 2011

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

Dear Ms. Rupp:

Thank you for the opportunity to comment on NCUA's ANPR on financial derivatives. Currently our credit union does not use derivatives to hedge IRR. However, we believe the ability to use derivatives is important to any Federal Credit Union's ability to manage their interest margin. A well capitalized credit union with a solid track record of managing their interest margin should have ready access to derivatives.

We believe existing pilot programs should continue. Credit unions compete with banks that have the ability to use derivatives. To take that ability away from credit unions, especially those that currently use them, is to put them at a competitive disadvantage. To protect our interest margin and remain profitable in order to provide valued financial services, credit unions need the support of their regulator in recognizing the tools and skills that credit unions need to remain relevant in the marketplace. In today's economic environment, making consumer loans is more challenging. Credit unions have turned to mortgages to help offset the loss of consumer loans. The use of derivatives could be a valuable tool to help manage the interest rate risk associated with mortgages.

Previous approvals under the pilot program should be grandfathered. These credit unions are invaluable to the rest of the industry. The credit union industry has a long history of and a well-deserved reputation for sharing information and expertise with each other. These credit unions that have experience and a track record in managing derivatives can be a wealth of information for credit unions that are seeking to use derivatives.

We believe the ability to engage in derivatives through a third party pilot program should be maintained. The Federal Credit Union should be able to demonstrate how the derivatives fit their risk management objectives. The pilot program should allow a Federal Credit Union to rely on the expertise of a third party that has a proven track record. This is an important first step for those credit unions that do not have first-hand experience with these instruments. It will allow the credit union to gain experience. A period of three years during which the credit

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union is actively involved in derivatives transactions should be considered a reasonable timeframe for a Federal Credit Union to gain the requisite experience before it could be allowed to engage in derivatives independently. This timeframe allows the Federal Credit Union to experience different interest rate environments and multiple reporting periods that will help them gain experience with managing the transactions.

We believe that the NCUA Board should consider allowing credit unions to engage in derivatives independently. Many credit unions have officials with significant experience using and managing these instruments. The oversight of each credit union's program should be commensurate with the amount of risk associated with that program. The Federal Credit Union's capital adequacy and the competency of the officials should be the primary filter for allowing independence. There should also be a well defined limit of such transactions stated as a percent of net worth.

Finally, we do not agree that there should be a prohibition against derivative activity. That type of approach sends the signal that derivatives are too risky and are too complicated to be done well by credit unions. The use of derivative instruments carries risk but it can also help to mitigate risk. Risk needs to be managed, not avoided. Therefore we do agree that it is reasonable to condition derivative activities on the development of sufficient expertise and infrastructure to manage the risks associated with derivatives. We view this as similar to a Federal Credit Union's ability to carry out business lending activities. While business lending is a permitted activity, a Federal Credit Union must demonstrate sufficient expertise and infrastructure to manage the associated risks.

Sincerely,

Susan E Leonard

Susan E. Leonard
Senior Vice President
Chief Financial Officer