



## KANSAS CREDIT UNION ASSOCIATION

May 17, 2011

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

### **Re: Comments on Proposed Rulemaking for Part 741**

Ms. Rupp:

I am writing on behalf of the 92 natural-person credit unions represented as members of the Kansas Credit Union Association. I believe this letter will share our concerns raised by your proposed rule requiring credit unions to adopt an Interest Rate Risk (IRR) Policy and Program.

#### **IRR Policy as a Condition of Share Insurance**

Your proposal would require federally insured credit unions to adopt a written interest rate risk policy and maintain an effective interest rate risk management program or face the risk of losing NCUSIF coverage for accounts. While we support the need for all credit unions to manage IRR, we do not support the proposed regulation as written. The proposal lacks justification as to why this rule is necessary or why the current controls already in place inadequately address the issue. Furthermore, we are concerned that this proposal is based on current conditions and may not support the long term needs of the industry. Another concern is that an otherwise healthy credit union could have its share insurance revoked for non-compliance with a single policy.

We feel the current controls are adequate and IRR management should be handled through the examination process. Given the increase in examiners and the accelerated exam schedule, well trained State and NCUA examiners have the timely ability to evaluate IRR management programs for individual credit unions based on their own complexity, capital and operations.

Your proposal acknowledges the potential number of 800 credit unions that may need to develop a written IRR policy to comply with this proposal. As a regulator and share insurer, NCUA already has the power to require an IRR policy for all of these credit unions. I am puzzled that you wish to establish a rigid policy when you currently have much more flexibility under the examination process. NCUA currently has the ability to remove share insurance coverage for at-risk credit unions, so adding this condition under the IRR Policy and Program is redundant.

*I suggest that NCUA remove threat of losing share insurance from this proposal and maintain the current controls. I further suggest that NCUA focus efforts on education and understanding of IRR in the previously identified credit unions.*

## Asset Size Exemption

You propose three asset-size triggers, the first of which states that a credit union under \$10 million would not have to comply with the policy and program requirements. While we appreciate the attempt to tailor the requirement by asset size, this should not be the primary criteria. Instead, long-term fixed-rate mortgages should be the driver. There is no segmentation of mortgage type in the current proposal and 30 year fixed-rate mortgages carry much greater IRR than 3/1 ARMS.

*While we do not support the proposal, if it is adopted we recommend adjusting the exemption criteria to consider mortgage type. We would also recommend the effective date be extended to a minimum of six month to allow credit unions time to comply.*

## Guidance for an IRR Policy and Program

To assist credit unions, your proposal includes Appendix B: Guidance for IRR Policy and Program. By including it as an appendix, you have transformed the nature of this document from a guide to help a credit union conform with the proposed rule to grid of standards which the credit union must use to comply. I am concerned that this robs a credit union of the ability to develop an individual IRR policy and program that best meets the needs of the credit union and complies with the proposal.

Under this guidance, you propose specific duties of the credit union board, duties of management, standards for IRR measurement and monitoring, IRR measurement methods, standards for internal controls, standards for decision making, standards for assessing the IRR policy and guidance for large credit unions. In reality, this creates a standardized checklist for examiners to use when evaluating a credit union's compliance. Again, this takes away a credit union's ability to develop the appropriate IRR policy and program for that individual credit union.

*To return control of the policy making process to the credit union, I suggest that the guidance be removed from proposal so that it retains its intended use as a guidance document.*

Thank you for considering our comments. Please contact me with any questions at [bobm@kcuu.coop](mailto:bobm@kcuu.coop) or 1-800-362.2076 ext. 3100.

With Best Regards,

Bob Mayes  
VP, Credit Union Support Services