

May 18, 2011

Ms. Mary Rupp  
NCUA, Secretary of the Board  
1775 Duke Street  
Alexandria, VA 22314-3428

Dear Ms. Rupp,

I am writing in response to the recent draft on interest rate risk and requiring federally insured credit unions to have an interest rate risk policy. The primary reason that I do not support the proposed regulation is that it is ambiguous. This ambiguity will lead to subjectivity when implementing the regulation.

By implementing regulations on IRR management, what power will the NCUA gain that does not currently exist? How will the NCUA change their examination approach and process if this regulation is implemented? If the NCUA says they will not change their approach, then why is there a proposal for regulation? Who will ultimately determine if a credit union's policy limits are adequate and programs are effective? If it is the most recent examiner, what happens when the next examiner, a year later, has a different opinion about the adequacy of the policy and effectiveness of the program? There are many good examiners in the field, but there are already some who are using this proposed regulation as a checklist to dictate policy changes. If a credit union is outside of policy, will it be deemed to be "out of compliance"? If so, what are the consequences for the credit union? What recourse will the credit union have if it does not agree with the examiner's assessment that the credit union is "out of compliance"?

The implementation of this regulation will likely lead to one or more of the following: confusion, application of generic standards to unique situations, false sense of security or credit unions spending more time, energy and money on analyses that won't necessarily provide boards, managements and regulatory authorities with relevant or reliable decision making information.

What is effective interest rate risk management? Interest rate risk quantification and management are complex processes with many interrelated components that, when combined with the unpredictability of human behavior, increases the subjectivity of the definition of "effective." What is effective for one group or credit union may not be effective for another group or credit union. Such differences need to be taken into account when defining "effective."

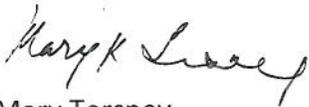
Establishing written policies is prudent business management in any industry. Equally important is making strategic and business decisions using policy as guidance. However, there are times

that organizations will be outside of established limits for sound reasons determined by the Board and management, or due to unforeseen external forces that impacted the credit union. Those reasons should be adequately articulated and a plan of action or in-action should be documented. This is where understanding the uniqueness of the individual business is critical.

An unintended consequence of an interest rate risk policy is that the industry evolves into a one-size-fits-all approach. Examiners will want guidance, likely in the form of a checklist from NCUA, as to what appropriate policy limits look like as well as an effective IRR management program. As an examiner is faced with the pressure of making sure an institution is "in compliance," he may ask for non pertinent items, resulting in a significant expense to credit unions—often without benefit or relevance to the credit union's unique structure. The guidance will then inadvertently become the rule, resulting in a one-size-fits-all approach. If this occurs, the NCUA carries the burden of giving appropriate guidance to the field examiners such that the guidance does not gravely impact the safety and soundness of the industry.

My concern is that field examiners will likely increase their reliance on "peer" data and use a standard set of assumptions making it easy for field examiners to compare credit union to credit union. Oftentimes, these assumptions used for comparability are simplifying assumptions resulting in regulation that may not be in the best interest of the credit union nor its members.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mary Torsney".

Mary Torsney  
SVP/CFO