



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

May 20, 2011

RE: Comments on Proposed Rulemaking for Part 741

LA Financial Credit Union agrees that every financial institution needs to monitor, manage, and control Interest Rate Risk. We believe that the proposed Policy on Interest Rate Risk is too vague and will cause more issues than it will resolve.

As an example, the draft document talks about elevated IRR. I can have numerous NCUA examiners, management, as well as Board members look at an ALM analysis and everyone will come up with different conclusions as to the amount (low, moderate, or high) of IRR inherent in the balance sheet. As a matter of fact, we have had several Capital Market Specialists (CMS) look at our IRR analysis and even they have come up with different conclusions. We even had one CMS comment that our Non-Maturity assumptions were reasonable and then 2 years later, the same CMS concluded the same assumptions were now unreasonable. My point is that IRR is a very complicated and subjective in nature and this Proposed Policy is trying to make it simple which will result in difficulty adhering to this regulation as it will always be a moving target depending on someone's opinion.

The NCUA endorses the Non-Maturity shares at Par analysis as a tool to measure and monitor IRR. This is an analysis for the liquidation of a credit union not for IRR. Assuming all Non-Maturity shares are at par in all interest rate scenarios goes against basic ALM theory. While it is subjective as to how much IRR protection a Non-Maturity share provides, it is always more than zero. Also, the credit union would get inconsistent results if the NEV analysis has Non-Maturity shares at par and the income simulation has Non-Maturity rates changing with rising interest rates.

In conclusion, the credit union would not endorse the Proposed IRR Regulation in its current form.

Sincerely,

A handwritten signature in blue ink that reads 'David Eberstein'. The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

David Eberstein  
LA Financial Credit Union  
Vice President - CFO