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May 23, 2011

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

Re: NCUA Proposal Interest Rate Risk

Dear Ms. Rupp:

The Pennsylvania Credit Union Association (PCUA) is a state-wide trade association that represents a majority of the 538 credit unions located within the Commonwealth of Pennsylvania. PCUA appreciates this opportunity to comment on the National Credit Union Administration's (NCUA) proposed rule concerning Interest Rate Risk (IRR).

PCUA enlisted the assistance of its Regulatory Review Committee and State Credit Union Advisory Committee (the Committees) to review the NCUA's proposal and prepare the comments contained in this letter. The Committee members are the chief executive officers of credit unions representing all peer groups based on asset size.

The Committees wish to go on record as supporting the safety and soundness of federally insured credit unions. Also, we agree that IRR is a prudent and critical component of asset/liability management (ALM). However, we do not support NCUA's proposal to include an IRR regimen into Part 741 of the agency's Rules and Regulations as NCUA's existing supervisory enforcement powers are adequate to ensure that federally insured credit unions adopt and execute appropriate ALM and IRR policies and procedures.

Proposed Asset Thresholds

NCUA stratifies the proposed rule based on a federally insured credit union's asset size and a combination of first mortgages held plus total investments with maturities greater than five years relative to net worth. We do not support the proposed asset thresholds. IRR is a function of the complexity of an institution's balance sheet. Larger asset sized credit unions may tend to have a more complex portfolio of assets: loans, investments and relative maturities. However, all federally insured credit unions must engage in some level of IRR to ensure safety and soundness. The proposed rule and the Appendix contain language to the effect that a federally insured credit union should have an IRR policy

commensurate with its own practices, benchmarks and operations. Accordingly, a risk-based or individual approach to the detail or complexity of the IRR policy is the most appropriate path.

IRR in Regulation

We oppose inclusion of IRR in Part 741 or NCUA Regulations in general. The Federal Credit Union Act (FCUA) confers ample authority on NCUA to correct deficiencies within individual credit unions regarding IRR or ALM. The current regulatory environment, particularly the wave of new regulations that will be imposed by the Dodd-Frank Act, is creating a very difficult business and operational climate for federally insured credit unions. An additional layer of regulation, particularly on a subject where federally insured credit unions deploy significant amounts of resources and time to manage, detracts from member service. NCUA has addressed the subject of IRR through at least eight Letters to Credit Unions which are duly referenced in the discussion section of the proposal. Those Letters have clearly placed federally insured credit unions on notice of the importance of IRR. A formal regulation is not necessary to exact compliance. In sum, NCUA should withdraw this proposal. If there is an area of IRR that has not been addressed by the eight prior Letters, NCUA could easily consolidate their contents into a policy statement.

Appendix B to the Regulation

We oppose the inclusion of Appendix B in the proposed regulation. NCUA characterizes Appendix B as guidance. If Appendix B is merely guidance or an example, it need not appear in a codified regulation. A Letter to Credit Unions or similar policy statement would be adequate to convey such guidance. Further, while packaged as guidance, Appendix B is very exacting in detail, possibly signaling what an examination team might expect to see as it conducts a review of a federally insured credit union's ALM policies. The Committees explained that they conduct ALM/IRR in concert with outside vendors and various software systems that prepare the appropriate reports and modeling. Consequently, each individual credit union has invested significant resources in its current platform. We are deeply concerned that any existing platforms or structures that do not articulate a policy or report data in a manner similar to Appendix B will foster misunderstandings between credit unions and examination teams over what constitutes satisfactory compliance efforts.

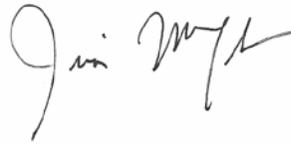
The exactitude of the regulation and Appendix B raised an additional concern about the management and operation of federally insured credit unions. The trend of regulations proposed and finalized since 2008 has been to levy a command to federally insured financial institutions on exactly how to perform a particular function. The overhaul of open-end lending by the Federal Reserve is one example. Title XIV of the Dodd-Frank Act, contains very exacting provisions regarding the manner in which federally insured financial institutions will offer mortgages or real estate loans. The overhaul of the corporate credit union regulation, Part 704, is very detailed in terms of what actions a corporate credit union might or might not take. In short, the regulatory trend is micromanagement. We agree that management of a federally insured credit union must monitor and control risk. However, regulations cannot and should not attempt to specify or detail every action or response undertaken by a credit union. Matters such as ALM and IRR are questions of judgment and require an interpretation of market conditions. Management then applies their interpretation of market conditions by buying or selling investments or adjusting the combination of loan products offered and pricing all products and services as necessary. That is how a management team should be judged.

Conclusion

We truly appreciate the need to adhere to prudent practices. Safety and soundness enhances reputation of credit unions and consumer confidence. In fact, Pennsylvania credit unions have experienced membership growth since 2008, when the financial crises began, because credit unions offered a safe alternative for consumers. We have no incentive to betray that trust by ignoring prudent fundamentals such as ALM and IRR. Because we believe that Pennsylvania's credit unions exercise sound ALM/IRR practices, we oppose a new layer of formal regulations that address this subject matter.

Sincerely,

PENNSYLVANIA CREDIT UNION ASSOCIATION

A handwritten signature in black ink, appearing to read "Jim McCormack". The signature is written in a cursive, flowing style.

James J. McCormack
President/CEO

JJM:RTW:llb

cc: Association Board
Regulatory Review Committee
State Credit Union Advisory Committee
M. Dunn