



May 23, 2011

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

Re: Affinity Plus Federal Credit Union's Comments on NCUA Proposed Rulemaking for Part 741, Interest Rate Risk Proposal

Dear Ms. Rupp:

I am writing on behalf of Affinity Plus Federal Credit Union regarding the agency's proposal to amend Part 741 of its regulations to add a new rule on credit unions' policies and management of interest rate risk.

Affinity Plus supports appropriate safety and soundness regulations that enhance strong yet reasonable oversight. We also take seriously our responsibilities in managing all of the risks that we undertake. We agree on the importance of implementing policies and developing effective programs to address risks, and we have done so as it relates to interest rate risk; however, we do not agree that a new regulation on interest rate risk, that would be a condition of federal insurance, is justified.

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. We believe that the assessment of interest rate risk is unique to every institution and must be evaluated based on their own complexity, capital and operations. The proposed rule itself states:

*NCUA recognizes it is impossible to establish specific, regulatory requirements for IRR that would be appropriate for all FICUs. IRR management involves judgment by a FICU based on its own individual mission, structure, and circumstances. Any rule must take into account the diversity of FICUs and avoid a one-size-fits-all approach. Accordingly, FICUs should devise a policy and risk management program appropriate to their own situation.*

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Today's reality is that the practice of field examiners is precisely what the NCUA wishes to avoid. Guidance is confused with regulation. Credit Union uniqueness and diversity is dismissed and evaluations are made based using "cookie cutter" data. And, best practices become checklists used to impose controls without regard for relevance, materiality or necessity. The proposed rule will only fuel these types of examination practices.

If the current interest rate risk profile of Credit Unions is as significant as this proposed rule suggests, shouldn't the NCUA focus on encouraging the use of effective risk mitigation solutions? The NCUA has placed a large burden on credit unions that would like to implement safe and effective risk mitigation techniques such as the use of simple derivatives. The NCUA barriers surrounding the use of derivatives could easily be removed, allowing credit unions to partner with one of the many industry experts to design and implement a program using derivatives that would greatly reduce, or virtually eliminate, the interest rate risk levels found on many credit union balance sheets. By working with the industry to encourage the effective mitigation of risk, as opposed to focusing solely on punitive measures for operating beyond an arbitrary industry standard, the NCUA could make significant progress toward becoming a much more effective regulator and partner.

In summary, Affinity Plus does not support the proposed new regulation on interest rate risk. We urge the Board to consider that it already possesses sufficient supervisory means to address its concerns and that its attention would be better served by focusing on opportunities to strengthen the quality and effectiveness of actual field examination practices and by seeking opportunities to ease the burden placed on credit unions that prevents the implementation of effective risk mitigation practices.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bill Urick', is written over a light blue horizontal line.

Bill Urick  
Affinity Plus Federal Credit Union  
Chief Financial Officer

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