



July 22, 2013

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

RE: Comments to Proposed Rule 12 CFR Parts 703, 715, and 741 to Allow Credit Unions to Engage in Limited Derivatives Activities to Mitigate Interest Rate Risk

Dear Ms. Rupp:

This comment letter represents the viewpoint of Holyoke Credit Union (HCU) regarding the National Credit Union Administration (NCUA) Board's proposed rule, Derivatives. This proposed rule would allow eligible credit unions to engage in limited derivatives activities for the purpose of mitigating interest rate risk (IRR). By way of background, HCU is a federally-insured, Massachusetts state-chartered credit union. As of June 30, 2013, HCU had total assets of \$138.8 million. However, in regard to this comment letter, it is important to note that as of the above date HCU had retained servicing on over \$176.9 million of first mortgage loans sold into the secondary market through the federal housing agencies.

HCU applauds the NCUA Board for proposing a rule to allow credit unions to engage in limited derivatives transactions for the purpose of mitigating interest rate risk (IRR); both existing IRR clearly visible on the balance sheet but, also, contingent IRR that may come into existence as a result of credit union activities such as mortgage banking. The credit union industry needs the ability to use derivatives in order to remain competitive with the banking industry. The prudent use of derivatives will enable credit unions to consistently offer the thirty-year fixed rate mortgage loan that almost all credit union homebuyers seek.

However, in HCU's view the use of an asset threshold number as an eligibility requirement is not appropriate. As noted by the NCUA Board, IRR is more prevalent among credit unions with assets over \$250 million. But, IRR does exist at credit unions with less than \$250 million in assets. HCU firmly believes that, as a well-managed credit union, with a substantial and viable mortgage banking operation, we should have the ability to use derivatives for the purpose of hedging the IRR that is a natural byproduct of our mortgage banking activities.

HCU further contends that as a "small credit union" we do have the capacity to effectively build and manage a derivatives program in compliance with the proposed rule.

In summary, asset size alone is not reflective of either the amount of IRR on the balance sheet or the capacity to use and manage derivatives for the purpose of mitigating IRR. Note that HCU's substantial mortgage banking operation, which services over \$176.9 million in loans, is represented on our balance sheet with a relatively small \$1.6 million entry to record ownership of mortgage servicing rights.

HCU urges the NCUA Board to eliminate the asset threshold from the final rule. Or, as an alternative to the outright elimination of the asset threshold requirement, to provide a waiver mechanism that will offer a method for a credit union with assets less than \$250 million to apply for and to gain approval to engage in limited derivatives transactions for the purpose of mitigating IRR.

Thank you for the opportunity to comment on this proposed derivatives rule. If you have any questions concerning this letter, please feel free to contact me.

Sincerely,



Michael E. Murphy
President and CEO
Holyoke Credit Union
413-532-7007 Ext. 1103
mem@holyokecu.com

MEM/bb