From:	Harland Bengs
To:	_Regulatory Comments
Cc:	"regadvocacy@cuna.com"
Subject:	Harland Bengs - Comments on Proposed Rule - Derivatives
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Our credit union is grateful that the NCUA has incorporated a rulemaking process for derivatives, which we view as a viable tool for credit unions to better manage their asset liability management (ALM) risk.

We are grateful because our credit union along with the rest of the credit union industry are facing a number of headwinds such as a sluggish economy, growing overhead, tighter net spreads, declining interchange income rates, and potential legislation that could materially impact key non-interest income sources such as overdraft fees.

In an attempt to offset the challenges mentioned above, credit unions such as ourselves are looking to grow our loan portfolio and interest income. A big source of that loan growth are fixed rate mortgage loans. Unfortunately, a high degree of ALM risk is associated with this particular loan category. As a result, as much as credit unions would like to place these particular loans on our books for the benefit of our ROA and members, we have to sell off record numbers of mortgages to the secondary market to appropriately manage our ALM risk. Moving forward, credit unions need to have an affordable and viable tool such as derivatives at our disposal to grow/maintain our mortgage loan portfolio for the benefit of our credit unions' financial health and membership.

Since derivatives represent a valuable option for credit unions, we would like to see a derivatives rule that encourages credit unions to engage in permissible derivatives options instead of imposing obstacles such as fees and requirements that would discourage the use of derivatives. The fee structure proposed in the derivatives ruling would establish a fee structure precedent that could potentially touch other products and services down the road. This potential scenario is worrisome since future fee structures could restrict the growth of strategic products and services, so credit unions can avoid the additional fees.

Our credit union would like to see the NCUA acquire or grow the appropriate expertise on derivatives so that it can regulate this arena without imposing fees for the benefit of the entire credit union industry and its members.

Here is a summary of our thoughts with the proposed ruling:

- Our credit union strongly opposes the application fees. We feel that a viable derivatives program will give credit unions the opportunity to safely grow their mortgage loan portfolio and reduce potential losses, which will ultimately benefit the entire credit union industry through the NCUSIF. As a result, we believe the costs for this program should be shared by all federally insured credit unions. We also believe a fee structure for derivatives will set a grave precedent for other strategic products and services in the future.

- We are concerned that the investment limitations within the proposal are too rigid. We would like to see expanded derivatives authority or permissible waivers that would allow more flexibility for qualified credit unions.

- Credit unions should be given the opportunity to rely on external service providers to a higher level of degree for the expertise and experience requirements.

In conclusion, our credit union feels that the requirements and the fees associated with the proposed derivatives rule are too costly in terms of fees and resources and that the proposed rule will discourage credit unions in general from engaging in derivatives despite the ALM related benefits that would ultimately benefit the credit union industry and the membership.

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