



Outstanding Value ~ Exceptional Service

Filed via regcomments@ncua.gov
April 21, 2015

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: NCUA's Risk Based Capital Proposal, RIN 3133-AD77

Dear Mr. Poliquin:

CoVantage Credit Union (CVCU) appreciates the opportunity to submit comments to the National Credit Union Administration (NCUA) Board's request for comments on the NCUA's second proposed-risk based capital (RBC) rule. The comments herein are specifically relates to interest rate risk (IRR) management, submissions of which are encouraged by NCUA during the comment period on the current RBC proposal. Risk based capitalization of derivative contracts is also mentioned as a related item.

CoVantage Credit Union, designated as a community development financial institution, provides a broad range of financial services to 85,000 residents, workers, and businesses in 20 rural counties of Northern Wisconsin and the Upper Peninsula of Michigan. CVCU's mission is to Welcome all regardless of wealth; Provide outstanding value and exceptional service; Work with members experiencing financial challenge; And remain financially strong.

CVCU believes that IRR rules should be based on a comprehensive balance sheet measure, such as net economic value, that takes into account offsetting risk effects between assets and liabilities (including benefits from derivative transactions). This comprehensive balance sheet approach supports CVCU's fourth tenant in mission to 'remain financially strong' and provides a more accurate picture of the credit unions interest rate position than a partial analysis that excludes liabilities duration and derivative contracts.

The September 30, 2012, the NCUA Board's final interest rate risk rule appears to be sufficient in this regard. The rule imposes different requirements on federally insured credit unions depending on asset size. Such requirements include the development and adoption of a written policy on IRR management and a program to effectively implement that policy as part of credit union asset-liability management responsibilities.

The guidance provide in the appendix to the IRR rule describes best practices for credit unions to consider as we write our IRR policy and construct a IRR management program. It deals with the responsibilities of boards and management, addresses IRR measurement and monitoring, internal controls, and the integration of IRR results into a credit union's decision making. The guidance also provides additional considerations for large with complex or high-risk balance sheets.

A \$2,000,000 grant was recently awarded to CVCU to be used to help our members of modest means improve the quality of homes in which they live. This credit union has a stated intent to leverage this grant with \$13,000,000 additional funding to finance first mortgages to this membership group. Requests for 30 year fixed rate mortgages would keep monthly payments affordable for these households. Credit for using derivatives such as interest rate swaps and comprehensive balance sheet evaluation, rather than asset duration alone, is important to living up to our mission tenants of 'welcome all regardless of wealth' and 'work with members experiencing financial challenge' who need the affordability and certainty of fixed rate mortgage payments. We also believe that comprehensive balance sheet management is a better evaluation of ongoing credit union operations in 'remaining financially strong', especially if credit (rather than an added capitalization requirement) for appropriate use of derivatives, such as managing fixed rate longer term assets, is included.

On behalf of CoVantage Credit Union and our members, thank you very much for the opportunity to provide comments on interest rate risk. We are pleased that interest rate risk has been separated from the current risk based capital proposal and ask that IRR be managed from a whole credit union perspective, including the makeup of the whole balance sheet plus use of off-balance sheet rate management tools.

Sincerely,



Douglas D. Anderson
Senior Vice-President/Chief Financial Officer