



DCU BULLETIN

Division of Credit Unions

Washington State Department of Financial Institutions

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Interest Rate Risk Measurement and Strategic Planning Seminar

The Division of Credit Unions (DCU) last year revised its examination procedures used to evaluate how effectively a credit union is managing its interest rate risk (IRR). This examination revision was in response to the increasing level of IRR exposure found in some state credit unions based on 5300 data and on projected rising rates in coming months.

The examiners frequently found that strategies and assumptions being modeled were unrelated to the strategic plan and budget of the credit unions. The examiners also noticed that credit union personnel were frequently confused as to the difference and purposes of net economic value (NEV) and net interest income (NII) measurement tools.

Seminar Date & Format

On April 21, 2005 at 6:00 pm, DCU and the Washington Credit Union League (WCUL) will be hosting a free seminar on **Interest Rate Risk Measurement and Strategic Planning**. This seminar will consist of a one hour web-cast presented by Gayle Peterson, Risk Management Specialist from National Credit Union Administration (NCUA) and Jay Weintraub, Interest Rate Risk Specialist from DCU, followed by a one and a half hour facilitated discussion. To facilitate the discussion, there will be a representative from DCU or NCUA and

a representative from a credit union with expertise in managing interest-rate risk at each location.

Seminar Content

Key Model Assumptions and What to Look For

- How do assumptions drive your model and its results?
- How do you determine/set appropriate assumptions and who should be responsible for that?
- How often should you revisit the assumptions and why?
- What is the relationship between your model assumptions and your strategic goals?
- Why is it important they be related?

Static versus Dynamic Balance Sheets and their Relationship to IRR

- What is a static balance sheet? Why is it important for IRR measurement?
- What is a dynamic balance sheet? Why is it important for what-if scenarios?
- NEV versus NII and their use of the two kinds of balance sheets.
- What role does your business planning and budgeting process have on the development of a dynamic balance sheet and why?

Locations

We have chosen five locations throughout the state to make attendance as convenient as possible. The locations include Everett, Federal Way, Spokane, Vancouver, and Yakima.

Who should attend?

We encourage attendance from the Board, ALCO Committee members (particularly including representatives from the Board), senior operating staff, and staff involved in the modeling analysis for the credit union.

We hope you will take advantage of this opportunity to join us. You will find out what the examiners are looking for, have the opportunity to discuss this important topic with others in the field, and build a network with your peers.

For more information on the seminar and for registration you may go to the WCUL website at

<https://www.waleague.org/members/programs/IRRmanagement.html> or

call Jane Johnson at (360) 902-0508 or Doug Lacy-Roberts at (360) 902-0507.