



Office of the President

June 2, 2008

Ms. Jennifer J. Johnson,
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Docket No. OP-1310; Policy on
Payment System Risks

Dear Ms. Johnson:

Navy Federal Credit Union provides the following remarks in response to the Federal Reserve Board's (Board) request for comments on its proposed Policy on Payment System Risks; Daylight Overdraft Posting Rules. Navy Federal is the nation's largest natural person credit union with over \$35 billion in assets and 3 million members.

Under the current posting rules, commercial and government automated clearinghouse (ACH) credit transfers processed by the Federal Reserve Banks' FedACH service are posted at 8:30 a.m. Eastern time, while commercial and government ACH debit transfers are posted at 11:00 a.m. Eastern time. The Board proposes to change the posting time for commercial and government ACH debit transfers that are processed by the Reserve Banks' FedACH service to 8:30 a.m. Eastern time.

Navy Federal supports a balanced regulatory approach that weighs the costs and benefits of any new regulation. However, we do not believe this rule is necessary to increase the liquidity of institutions that originate a large value of ACH debit transfers over the FedACH network. In this proposal, the Board states that only five percent of FedACH participants would benefit from an earlier posting of ACH debit transfers. We believe it is not rational to constitute such a change in posting when ninety five percent of participants would not benefit. In addition, Navy Federal believes this policy will unjustly damage smaller financial institutions, especially those who do not operate on Eastern time. For example, an institution that currently operates on Pacific time would be expected to have ACH debits and credits posted simultaneously at 8:30 a.m. Eastern time or 5:30 a.m. Pacific time when most of these institutions are not yet operational in the day.

Ms. Jennifer J. Johnson

Page 2

June 2, 2008

This change in posting time would create an overdraft earlier resulting in debits exceeding credits causing many institutions to have an overdraft in funds. If this policy were enacted as currently written it would be expected that collateral would be tied up and/or charges will be incurred. We question the importance of implementing this proposal when there has been no public outcry for such a modification.

In conclusion, Navy Federal does not support the proposal as presented. Navy Federal appreciates the opportunity to provide comments on proposed changes to the Policy on Payment System Risks; Daylight Overdraft Posting Rules. If you have any questions with respect to our comments, please contact Charla Downard, Policy Analyst, at (703) 206-2672.

Sincerely,



John R. Peden
Acting President/CEO

CD/cd