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Marion & Polk Schools Credit Union

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July 14, 2005

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

JUL20'05 AM 7:20 BOARD

RE: Proposed Interpretive Ruling and Policy Statement No. 05-1

Dear Ms. Rupp:

MaPS Credit Union understands that the National Credit Union Administration ("NCUA") is proposing to adopt an Interpretive Ruling and Policy Statement ("IRPS") regarding Sales of Nondeposit Investments, which will replace the NCUA Letter to Credit Unions No. 150.

I am writing to provide general comments and concerns I have regarding implementation of the proposed IRPS as follows:

1. Regulatory Flexibility Act

NCUA notes that the IRPS will not have a significant economic impact on credit unions. I do not agree with this assumption, in fact I find that fulfilling the proposed requirements will cause substantial expense. As I understand, the IRPS requires a credit union to contact investment clients, monitor customer complaints, review accounts for churning and suitability and ensure that the broker's supervisory personnel made scheduled examinations.

This requirement would cause MaPS to train existing staff to be knowledge specific about investment products and compliance functions. In order to obtain this type of training, a designated staff member would have to go through securities license training to obtain the right kind of knowledge. In MaPS case, we would have to hire additional staff to accomplish this function. The cost of the staff person would be far more expensive since we would have to find someone with specific securities skills. This is as very expensive approach.

Our brokerage firm already performs compliance analysis and as I understand are subject to oversight by many securities regulators.

2. Paperwork Reduction Act

According to the NCUA, the IRPS will not increase paperwork requirements. Based on my comments in Item #1 above, the IRPS would cause an extensive amount of paperwork which our current staff could not handle. Any level of proper compliance evaluation must have thorough reports of compliance activity. Additionally, it would have to be handled by the additional staff I have already mentioned above at considerable expense.

This activity again is already part of the broker's compliance activity which is thoroughly reviewed by other regulatory bodies.

3. Proposed Contract Provisions

One of the IRPS proposed provisions for contracts between the credit union and broker/dealer would require the credit union to identify and analyze the products the broker may offer. Credit Union staff do not have this level of expertise. To do so would cause the credit union to hire a professional with the level of expertise that would typically be seen with a licensed (series 6 or 7) agent. This staff person would have to have a complete knowledge of products in the market and monitor new ones that become available. This should be done in the best interests of our members.

I also understand the IRPS to say the credit union compliance person should have access to client brokerage accounts for analysis. This approach may violate state privacy policies thereby negating the purpose of this portion of the IRPS.

It also appears that the credit union compliance person should periodically contact member/clients that have purchased securities to ensure they purchased what they intended and received appropriate disclosures. This is not something a compliance person should do without specific securities training, which must be done on a high level. Disclosures are an important piece of the securities purchase. Contact by a credit union compliance person may confuse the member/client. Additionally, the compliance person should be in a position to answer any question the member/client may have to ensure appropriate service relations. This shouldn't be the intended function, but I can see it happening out of need.

This activity again is being handled by the broker/dealer, and again their actions are tied to many regulatory oversight bodies. Costs to the credit

union to hire staff with the right level of expertise may be significant enough to eliminate net profits on the program. MaPS already operates on a very thin margin when we factor in all costs related to the planning process. MaPS couldn't offer this program and lose money doing so.

4. Dual Employees

The restrictions placed on Dual Employees in the IRPS appears unworkable. A Dual Employee takes direction from the broker/dealer on products, then must interact with the member/client about these same products. Both relations have to be utilized by the same person to get the services to the member/client. It appears unreasonable to expect the Dual Employee to work on only one side.

Currently, the broker/dealer ensures appropriate compliance activities. Moving the credit union into the examination and securities review function with the member/client would put the credit union more at risk since the member/client would have more grounds to sue the credit union if an obligation was not met as intended. I am very uncomfortable increasing credit union liability in this fashion.

5. Non Deposit Sales to Nonmembers

I do not agree with limitations in this section. MaPS must hire experienced representatives with a series 6 or 7 license. Our last hire was a person that came to MaPS with an existing block of clients that he did not want to ignore. MaPS already had a large number of members this new person would need to service. Since the new representative was contracted with MaPS, it was unreasonable for MaPS to not be a participant with commission portions from the representative's old client base and looking to the future with continued relations.

It is only logical the credit union should be allowed to keep non member commissions as long as non member activity was in the minority.

In summary, and based on my comments noted above, a compliance program is already in place and well monitored and scrutinized by security regulators. To have the credit union perform this function would be redundant and unnecessary. Compliance activities by the credit union would be very expensive both in staff and paperwork given the complexity of the work and the required knowledge of a staff person. Such an expense could cause MaPS to cancel its program since the expense of a skilled staff person would eat up our net profits in the program. I also see increased liability and more exposure to risk of suit given a credit union staff person being involved with members to ensure appropriate disclosure.