Wright-Patt CREDIT UNION, INC.

July 21, 2005

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

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

Dear Ms. Rupp:

Wright-Patt 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.

We are writing to provide general comments on the IRPS as follows:

1. **Compliance with the requirements of the IRPS and applicable law and regulation.**

   According to the proposed IRPS, credit unions must maintain programs to monitor compliance by the broker, its salespeople, and other entities involved in the sales of nondeposit investments. Wright-Patt Credit Union has significant concerns with this area of the IRPS.

   First, we believe it is inconsistent with earlier statements in the proposal. The IRPS previously indicates that the contract must indicate the broker is primarily responsible for ensuring that the nondeposit sales function is conducted in compliance with all applicable laws, regulations, and policies. The requirement on credit unions contradicts the earlier contractual requirement of the broker.

   The IRPS requires that credit unions contact members that have purchased products to make sure they understand the product. This has the potential to confuse the member as to whether they purchased a credit union product or a nondeposit product.

   The requirements to review accounts with high turnover, investment suitability, and source of funds are all important. However, they are best left to the broker experts, not the credit union, to review. Each broker has an OSJ (Office of Supervisory Jurisdiction) that is mandated by the SEC, NASD, and state security regulators to ensure regulatory compliance by the broker's salespeople. The broker has a definite incentive and the expertise to ensure compliance in these areas.

This requirement is not practical for credit unions to implement. It would be highly expensive for credit unions to administer as most typically do not have this type of licensed expertise on staff. It would also duplicate the work of the broker's OSJ function and would require the credit union to add high-paid, licensed staff to administer these functions. This additional compliance work would create additional paperwork and thereby further drive up the cost of offering the program.

All of these issues will lead to a more expensive program with minimal risk reduction, thereby creating a less competitive program for credit unions and their members.

2. Dual Employees

We believe the guidelines provided in terms of dual employment will harm credit unions and not benefit members.

It is impractical for the nondeposit sales staff to not reference their position at the credit union. We believe it is best for the member if the sales staff references both positions and explains their role and the role of the credit union and the broker. This helps the member to understand that the nondeposit products have risks not associated with credit union deposit products. The disclosure requirements for signage at the point of sale as well as those for opening new accounts satisfy the need for explicit disclosure that the products are nondeposit products of the credit union.

Despite the dual employee status, the salesperson is paid directly by the credit union. Compensation generated by the salesperson from non-member business should be allowed to be passed through the credit union to the salesperson. However, this creates additional expenses for the credit union in terms of payroll taxes, retirement calculations, and other earnings. Therefore, it is essential that credit unions be allowed to recoup these expenses from the salesperson.

3. Nondeposit Sales to Nonmembers

A fixed de minimus percentage presents problems for new programs or new representatives. If a new program is started and the salespeople are hired from other firms, they may bring business/clients with them from their previous positions. Also, when does the measurement occur? Does it only matter at the end of the calendar year, or is it measured on a more frequent basis?

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These guidelines will also make it more difficult for larger credit unions to assist smaller credit unions in terms of offering this service. The limitations on income and expense may prevent this from occurring and; therefore, negatively affect small credit unions.

The sale of nondeposit products is actually done by the broker and not the credit union. Therefore, credit unions should be able to receive reimbursement for reasonable direct and indirect expenses associated with nonmember business conducted by their sales people. Most brokers have the ability to provide different coding systems for their representatives to segregate member business from nonmember business.

Conclusion

In summary, we are most concerned over the requirement for the credit union to maintain compliance over the nondeposit program. We believe this is impractical, costly, and risky to the credit unions. The requirement for compliance should maintain with the broker, who is regulated and supervised in these areas.

We appreciate the opportunity to offer comments on this proposed IRPS. Should you have any questions, please contact me at 937-912-7853 or T_Mislansky@wright-pattcu.com.

Sincerely,

Timothy J. Mislansky
Vice President – CUSO Operations