

**SPOKANE FEDERAL CREDIT UNION
P. O. BOX 2519
SPOKANE, WASHINGTON 99220**

July 22, 2005

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

Re: comments, IRPS 05-1

Dear Ms. Rupp;

The following comments are prepared by the management of Spokane Federal Credit Union (hereinafter referred as SFCU) and are supported by it's Board of Directors and the management of SFCU's two partner credit unions who participate with SFCU in the delivery of Sales of Non-deposit Investments to members of the three credit unions. Progressions Credit Union and United Health Services Credit Union, both located in Spokane Wa., and chartered by the State of Washington.

Our three Credit Unions presently partner in the delivery of credit union traditional services to members through a shared branch, in the delivery of property and casualty insurance products through an insurance agency named Argonne Agency. We also share Human Resource Management professional staff. These three partnering arrangements are conducted through a Washington corporation (CUIS Inc.) which is equally owned by the three credit unions. Until the S.E.C. retracted it's exception that allowed the delivery of Sales of Non-deposit Investments to members through a CUSO, we also conducted non-deposit investment services through CUIS Inc. Presently we provide Sales of Non-deposit Investments to members of these three credit unions through a Spokane Federal Credit Union broker-dealer appointment with Duer Financial Services.

We submit the following comments and observations:

- **We support the use of an IRPS to establish agency direction and guidance in the delivery of Sales of Non-deposit Investments to members.**

- **The use of “Dual Employees” and Separation of duties:**

You have a statement that says “The duties performed for the credit union should not bring the employee into contact with members that might also purchase non-deposit investments”.

Our registered representative (dual employee) routinely helps members make investment decisions which includes advice to purchase and use traditional credit union products and services. She is not empowered to receipt any deposits on behalf of the member, only refer them to an appropriate employee for the conduct of that business. She has to (in the course of referring members to an appropriate employee) have product knowledge of all credit union services and is very active in cross-selling all of the benefits of their membership in the credit union.

I suggest the sentence referenced above be changed to clearly state the dual employee may not conduct any credit union transactions (deposit or loans as an example) on behalf of members.

- **Dual Employee Compensation:**

Your sentence “The credit unions records and periodic earnings statement provided to the employee should indicate how compensation is divided between non-deposit investment work and work for the credit union.

Our registered representative does not deliver any credit union products or services to members. I am concerned we will have to place a value on the cross-selling (a form of work) of credit union products and services.

I suggest the following wording:

The Credit Unions records and periodic earnings statement provided to the employee should indicate how compensation is divided between non-deposit investment work and delivery of credit union products and services.

- **Sales of Non-deposit Investments to Nonmembers:**

Your statement, “de-minimus means the ratio of income not directly attributable to members to the total gross income the credit union receives under the arrangement cannot exceed five percent”.

Our concern is a five percent test given at any given month may fail this requirement. If, as a matter of practice, we (NCUA or SFCU) could test this limitation over an annual accounting period it is felt five percent would be acceptable however, it has to be understood some trailer incomes become intermingled with other member/non-member incomes in certain

circumstances and may not remain indistinguishable from member income for testing purposes.

In conclusion we compliment the Administration and it's staff for development of this very insightful proposed I.R.P.S. and giving us the ability to comment on it's content.

Respectfully submitted
Spokane Federal Credit Union

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