



July 25, 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:

Please accept this letter as our comments on the above referenced proposal.

Educational Employees Credit Union is a state-chartered, federally insured credit union headquartered in Fresno, California. We began offering nondeposit investment products to members and nonmembers in December 1990 through our Credit Union Service Organization subsidiary, Educators Financial & Insurance Services.

In July 2005 the nondeposit investment program was placed back under the credit union in order to comply with the bilateral third-party brokerage arrangements. We agree that credit unions must: a) conduct third-party brokerage activities in a manner that is legal, b) protect members from potential securities fraud and abuse, c) minimize safety and soundness concerns for the credit union, and d) provide adequate disclosures (both verbal and written) designed to eliminate member confusion. However, the proposed IRPS exceeds those standards and actually increases the level of risks, requires unnecessary additional regulatory oversight, and places unrealistic and costly compliance requirements that are beyond the scope of the credit union's resources and expertise.

The following comments on the IRPS represent our concerns to significant key areas:

1. Broker/Dealer third-party arrangements provide much more than transaction-related remuneration to the credit union. For example; NASD Conduct Rules 2350 Broker-Dealer Conduct on the Premises of Financial Institutions clearly states and delineates the standards for the sale of nondeposit investment products. The IRPS should provide guidance consistent with these Conduct Rules, but not create an unnecessary duplication of effort.
2. The SEC and NASD, as regulatory bodies are in the best position to provide oversight over the Broker/Dealer, and the broker/dealer is required to provide proper, mandated regulatory supervision for the sales of securities by their representatives. Given that sales of nondeposit investments are being effected on

the premises of a credit union, it may be preferable to have the broker/dealer, through its contract with the credit union, periodically affirm its compliance with the Conduct Rules to both the senior management and board of directors of the credit union; as opposed to adding an unnecessary layer of compliance burden on credit unions who may be unable to provide the necessary resources.

3. Unlicensed credit union employees can not be expected to monitor investment programs or become involved in complaint resolution involving securities sales. This simply is not practical and will place an undue hardship on the credit union, the broker/dealer, the sales representative, and more importantly the member.
4. Product selection and product due diligence is best left to the broker/dealer.
5. The dual employee should have no management or policy-setting responsibilities is illogical as they most likely will be the only qualified employee to make those decisions or recommendations.
6. The 5% de minimus income rule is an impractical approach primarily because this income has never been measured, members can and will close their credit union accounts, and representatives may bring existing non-member clients. Just trying to track the income and expenses from non-member investments would be an administrative burden.

We support the NCUA's continuing efforts to oversee the safe and sound operations of credit unions and we appreciate the opportunity to voice our level of concern regarding the proposed IRPS.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce L. Barnett". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Bruce L. Barnett
President/CEO