



June 3, 2008

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

Re: Comments Proposed IRPS 08-1

Dear Ms. Rupp:

I am writing on behalf of the State Department Federal Credit Union (SDFCU) in response to the National Credit Union Administration's (NCUA) request for comment regarding the Proposed Interpretive Ruling and Policy Statement 08-1(IRPS). We believe the perception of safety and soundness is important and the public's belief that Credit Union employees are honest and trustworthy is fundamental to this belief. Thus, we support guidance for Section 205(d)(1), which will assist Credit Unions in the proper hiring and investigation of employees and ensure that people with certain types of criminal histories are not allowed to work in the industry.

Section 205(d)(1) prohibits Federal Credit Unions from hiring or becoming affiliated with persons convicted of certain crimes. We support this rule as it applies to Credit Union employees and welcome its guidance on employee hiring; however, we are concerned that the IRPS defines *institution-affiliated party* too broadly, which could adversely impact Credit Unions' relationships with third parties. More specifically, the language defining institution-affiliated party adds confusion by adding to the definition of institution-affiliated party "participates in the affairs of an insured credit union." This language is needlessly vague and ultimately affords the NCUA *ex post facto* rule making ability. Furthermore, characterizing institution-affiliated party as a "term of art" confuses the matter further by using a legal term as a substitute for a definition. This intentional vagueness allows the NCUA or courts to define this term with the result of Credit Unions not knowing what third parties they can hire and what tasks these third parties can perform without third party becoming an institution-affiliated party and becoming subject to Section 205(d).

We urge the NCUA to simplify the definition for institution-affiliated party in the IRPS. Credit Unions rely on third parties for many different and important services. Managing these third parties will become difficult and onerous if the requirements are not clear because of vast difference in third party relationships and the services third parties provide. The institution-affiliated party rule needs the clarity that the NCUA added to rule for hiring employees to be effective and a benefit to Credit Unions. Unless modified, the proposed IRPS will be a burden to Credit Unions and hamper Credit Unions' ability to use third parties for essential services.

SDFCU appreciates the opportunity to comment on this topic. We believe that ensuring Credit Unions hire honest and trustworthy employees is important to the reputation of the Credit Union industry. We support any rule that helps Credit Unions meet this obligation; however, we urge the NCUA to add greater clarity to the institution-affiliated party definition so that the rule can fulfill its purpose to make following Section 205(d) simpler and more transparent.

| Best regards,



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Regulatory Compliance Counsel