Colorado Credit Union System

Credit Union Center • 4905 W 60th Avenue • Arvada, Colorado 80003
(303) 427-4222 • (800) 477-1697 • Fax: (720) 479-3423 • www.colocu.com

February 8, 2006

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

Dear Ms. Rupp:

The Regulatory Sub-Committee ("Committee") of the Colorado Credit Union League appreciates the opportunity to comment on the NCUA's proposed rules regarding third-party servicing of indirect vehicle loans. The Colorado Credit Union League, a state trade association, represents nearly 140 state and federally chartered credit unions in Colorado.

The Committee appreciates the concerns expressed by the Board in its Letters to Credit Unions and its Risk Alert 05-Risk-01. However, we are concerned that field examiners may have lacked guidance from their regional supervisors and from the Board resulting in overzealous and inconsistent enforcement actions being taken against individual credit unions. We encourage the Board to provide adequate information and guidance to field examiners to help avoid inconsistent and unnecessary enforcement actions in the future.

The Committee generally believes that credit unions should have the ability to manage their activities and operations with minimal regulatory burden. Credit unions should be evaluated based upon their particular circumstances and not subject to arbitrary regulatory limits. That said, we do not believe the net worth limits imposed by the proposed rule are unreasonable. The Committee does, however, have a few concerns it believes the NCUA should address.

First, the proposed rule defines "net worth" as "…the retained earnings balance of the credit union…as determined under generally accepted accounting principals." We believe credit unions should have the ability to determine compliance with the proposed rule from data contained in the quarterly Call Report. Therefore, the definition of "net worth" should be modified and clarified to permit calculation of the appropriate limits using only information taken directly from the Call Report.

Next, the proposed rule provides an exemption from coverage for third-party servicers that are "wholly-owned" subsidiaries of a federally-insured depository institution. We strongly believe, and recommend, that the scope of this exemption should be broadened to include loans serviced by a third-party that is subject to examination by the NCUA or comparable state regulatory agency, either by statute or agreement, regardless of whether it is wholly-owned by a federally-insured financial institution.

Some credit unions have expressed concern that the rule is unclear whether a waiver can be granted to those credit unions subject to the 50% limit. While it appears to the Committee that the waiver provisions under subsection (h)(2) apply to both (h)(1)(i) and (h)(1)(ii), we would recommend that NCUA clarify who may request and receive a waiver.

Finally, credit unions often utilize third-party servicers to assist them in their mission of serving the underserved. While we do not recommend that the NCUA compromise safety and soundness, we strongly encourage the NCUA to develop an understanding of programs that further this critical mission.

The Committee thanks the NCUA for the opportunity to comment, and appreciates its consideration of the Committee's concerns.

Respectfully,

Randy Hoch
President, Denver Fire Department FCU
Chairman, Regulatory Sub-Committee, Colorado Credit Union League