



Office of the President

June 9, 2008

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

Re: Proposed Changes to 12 CFR Part 712,
Credit Union Service Organizations

Dear Ms. Rupp:

Navy Federal Credit Union provides the following comments in response to the National Credit Union Administration's (NCUA) proposal on credit union service organizations (CUSOs).

Navy Federal supports NCUA's proposed changes to the CUSO rules in 12 CFR Part 712. We believe these changes represent a prudent clarification of CUSO authority, such as the addition of credit card origination and payroll processing services to the list of preapproved activities. We also appreciate NCUA's willingness to update the list of preapproved activities to reflect prior Office of General Counsel opinions, like those on employee leasing services and the purchase of non-performing loans. Further, the proposed changes provide needed consistency between the CUSO rules and the rest of NCUA's regulations, such as permitting CUSOs to provide certain money transfer services to nonmembers within the credit union's field of membership.

NCUA proposes to delete section 712.7, which establishes a 60-day process for requests for new preapproved activities. Navy Federal believes this process is critical to the CUSO rules. We acknowledge that NCUA's Interpretive Ruling and Policy Statement 87-2 requires a rolling three-year review of all of NCUA's regulations, including Part 712. However, the financial services marketplace changes quickly, and CUSOs must have the ability to offer timely new services, within permissible limits. Therefore, we urge NCUA to retain section 712.7.


Although not part of this proposal, Navy Federal encourages NCUA to consider adding all types of lending permissible for federal credit unions to the list of permissible CUSO activities. For example, CUSOs are not permitted to engage in vehicle-secured lending. We believe this restriction is arbitrary, and the addition of this type of lending to CUSO portfolios will not substantially increase risk to credit unions with ownership interests in CUSOs or to CUSOs themselves. Further, credit unions should have the option of using CUSOs to aggregate

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volume and manage risk across all of their loan products. We urge NCUA to give CUSOs lending authority comparable to the authority provided to federal credit unions, particularly with regard to vehicle loans.

We appreciate the opportunity to provide comments in response to NCUA's proposed changes to its CUSO rules. If you have any questions, please contact Shannon Burt, Senior Policy Analyst, at (757) 234-4073.

Sincerely,



John R. Peden
Acting President/CEO

CD/sb