



June 27, 2008

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

Re: Comments on Proposed Rule Parts 712, CUSO Amendments

Dear Ms. Rupp:

On behalf of the California and Nevada Credit Union Leagues, I appreciate the opportunity to comment on the NCUA's Proposed Rule on Credit Union Service Organizations, which amends Parts 712 and 741 of the NCUA's Rules and Regulations. By way of background, the California and Nevada Credit Union Leagues (the Leagues) are the largest state trade associations for credit unions in the United States, representing the interests of more than 400 credit unions and their 9 million members.

The Leagues thank the NCUA for addressing so many substantial and much-needed issues in this proposal. It is representative of the agency's long-standing and adaptable approach to ensure that federal credit unions are able to provide their members with a wide range of services. We support the following proposed changes which, in our view, are prime examples of non-burdensome and commonsense rulemaking:

- Allowing federal credit unions to invest in CUSOs that provide checking and currency services and electronic transaction services to persons within the credit union's field of membership;
- Permitting CUSOs to originate and hold credit card loans as a principal on its own behalf or on behalf of credit unions;
- Permitting CUSOs to provide payroll processing services directly to credit union members;
- Clarifying that a CUSO has the ability to buy and sell participation interests in loans they are authorized to make; and
- Including additional examples of permissible activities with approved categories, which includes employee leasing services and support, purchase and servicing of non-performing loans, business counseling and related services for credit union business members, and referral and processing of loan applications for members turned down by the credit union.

Beyond the proposed changes, the Leagues believe that the NCUA should consider updating and expanding the list of permissible CUSO activities to more fully reflect the range of services and activities that a federal credit union can provide to itself and its members. This would be consistent with the agency's policy regarding CUSO investment authority (e.g., 63 Fed. Reg. 10743, 10751 (1998)), and provide federal credit unions and their CUSOs with greater flexibility to meet member needs. In that spirit, we encourage the NCUA to add all types of lending permissible for federal credit unions (i.e., to fund and to buy) to the list of permissible CUSO activities.

In particular, we urge the NCUA to permit CUSOs to engage in vehicle-secured lending, to include buying loans that have been funded by another lender, such as in the case of indirect lending. Numerous changes in the financial services industry over the years have made the restriction on these types of loans appear arbitrary and outdated. Further, the Leagues are unaware of any safety and soundness issues that would justify excluding certain types of lending by a CUSO. Such a change would allow credit unions to continue to be adaptable and strong, while giving credit union members increased access to credit union lending (as well as credit unions' more favorable terms).

Concerns

The Leagues respectfully disagree with the NCUA's proposed expansion of oversight of CUSOs held by federally insured, state chartered credit unions (FISCUs). We are dubious of the statement made in the proposal that the NCUA has the statutory authority to do so (cited by the agency as deriving from 12 U.S.C. 1781-1790d), and— isolated incidents notwithstanding—are not convinced that CUSO operations in general present a risk to the share insurance fund. In addition, while the NCUA has unparalleled skill and knowledge in examining credit unions, this expertise would not necessarily translate into efficient and effective examination of other business entities, and other business products. Indeed, some CUSOs and their activities are already examined by state regulatory agencies, so NCUA oversight would be redundant. The Leagues also note that, in the case of a CUSO owned by both state and federal credit unions, the NCUA has access to the CUSO's books and records through the federal credit union owner(s).

Finally, the Leagues would like to voice concern regarding the NCUA's proposal to delete §712.7, which establishes a 60-day process for requests for new pre-approved CUSO activities. While we understand that this process is rarely used, we believe that the more-specific process provided in this section is more timely and less of an impediment than a general provision permitting the public to petition the NCUA Board for regulatory changes. Currently, the CUSO regulation is reviewed every three

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years. However, the financial services marketplace often changes more quickly than that, and CUSOs should have the ability to offer timely new services, within permissible limits. Retaining §712.7 is even more important if the NCUA does not expand the list of permissible CUSO activities to permit activities such as vehicle-secured and indirect lending, as requested above.

In closing, I would like to thank the NCUA for the opportunity to comment on this proposal. We hope you find our comments helpful in assisting the NCUA to craft a final rule.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Cheney", with a long horizontal flourish extending to the right.

Bill Cheney
President/CEO
California and Nevada Credit Union Leagues