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June 30, 2008

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

Re: Comments on Proposed Rule 712, CUSO Amendments

Dear Sir or Madam:

The Independent Community Bankers of America (ICBA)¹ appreciates the opportunity to offer comments on the National Credit Union Administration's (NCUA) proposal to change its credit union service organization (CUSO) rule by adding two new categories of permissible activities: credit card loan origination and payroll processing services.

The NCUA Board is proposing to permit a CUSO to originate and hold credit card loans as a principal on its own behalf or on behalf of credit unions. CUSOs currently engage in consumer mortgage lending, business lending and student lending. The NCUA concedes that, like business lending, credit card origination requires a degree of specialization and expertise to succeed. The NCUA believes that the proposal will help to do that since it will permit credit unions to collaborate and pool resources and expertise through the vehicle of a CUSO.

¹*The Independent Community Bankers of America represents the largest constituency of community banks of all sizes and charter types in the nation, and is dedicated exclusively to representing the interests of the community banking industry. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.*

With nearly 5,000 members, representing more than 20,000 locations nationwide and employing nearly 300,000 Americans, ICBA members hold \$1 trillion in assets, \$800 billion in deposits, and \$700 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

ICBA's Position

When the NCUA first proposed allowing CUSOs to engage in business lending, ICBA opposed the proposal because of the risks inherent in engaging in such lending practices.² The recent failures of Noralco Credit Union and Huron River Area Federal Credit Union resulting from their involvement in Millionaire University in Florida are examples of what can happen when credit unions participate in construction and business lending. **ICBA also opposes adding credit card origination to a list of permissible CUSO activities because this is also an inherently risky lending area that requires a significant amount of management expertise to succeed and it will be unlikely that CUSOs would be able to recruit the talent that would be necessary to engage in a large-scale, safe and sound credit card lending operation.**

Establishing and maintaining a successful credit card program requires careful management attention to ensure that the risks, such as credit, market, reputation, strategic, compliance, legal, and liquidity risks, are addressed. Active planning and oversight; competent personnel; adequate policies, processes, and controls; a comprehensive audit program and internal control environment; and effective risk monitoring and management information systems all are all required for a successful credit card operation. Particularly in the current economic environment, it would be very difficult for CUSOs to attract the management talent that would be required to engage in a safe and sound credit card lending program in direct competition with commercial banks and credit card companies.

The NCUA Board also proposes to allow CUSOs to provide payroll processing services directly to credit union members. Until now, the NCUA has not permitted a CUSO to provide this service directly to members, based in part on the agency's longstanding view that clerical and managerial services authorized for CUSOs may only be performed on behalf of the credit union.

ICBA believes that credit unions should concentrate on meeting the credit and savings needs of consumers, especially persons of modest means. Providing payroll services is a business service and not a consumer service. Whether such services are done through the credit union or a CUSO, providing payroll services to a credit union's business customers will only distract credit unions from their central mission of meeting the credit needs of low and moderate income consumers.

ICBA has previously stated its safety and soundness concerns about credit unions engaging in commercial lending and how business lending and providing business lending services are inherently riskier than consumer lending and providing consumer lending services. Allowing CUSOs to engage in providing payroll services will only encourage credit unions to concentrate their resources on riskier activities such as commercial lending and retaining commercial customers to the detriment of their consumer customers.

² See our letter to the NCUA dated June 3, 2003 concerning member business loans and CUSOs.

Conclusion

ICBA opposes amending the current NCUA rules to allow CUSOs to engage in credit card lending programs and to provide payroll services. Establishing and maintaining a good credit card lending program would be too risky for CUSOs particularly in the current economic environment and providing payroll services will only distract credit unions from their central mission of meeting the credit needs of low and moderate income consumers.

ICBA appreciates the opportunity to offer comments in connection with the NCUA's proposals to amend the permissible activities list for CUSOs. If you have any questions about our letter, please do not hesitate to contact me at 202-659-8111 or Chris.Cole@icba.org.

Sincerely,

/s/ Christopher Cole

Senior Regulatory Counsel