IOWA CREDIT UNION LEAGUE

June 30, 2008

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

Dear Secretary Rupp:

I appreciate the opportunity to comment on the National Credit Union Administration's (NCUA) proposed changes to the CUSO regulations, NCUA Rules and Regulations Part 712. The Iowa Credit Union League (the League) is the trade association representing 144 Iowa credit unions. The League's comments on the proposed changes are set forth below.

Adding Credit Card Loan Origination to CUSO Permissible Activities

The League supports the proposal to add credit card origination as an approved CUSO activity. In 2007, the League and Iowa Corporate Central Credit Union saw a need in the marketplace to have a credit union-oriented solution for credit unions looking to sell their credit card portfolios. As a result, these two entities created a CUSO known as TMG Financial Services (TMGFS) to provide a credit union-oriented solution to credit unions selling their credit card portfolios. A CUSO can aggregate the credit card operations to obtain economies of scale that are critical in the credit card lending business, as evidenced by the fact that the top 10 bank issuers control 90 percent of the market share in the United States.

Loan Participations and Credit Card Portfolios

The League also supports the proposal to clarify that a CUSO may buy and sell participation interests in loans they are authorized to make. However, we are concerned with the comment in the proposal that "the Board notes that NCUA's loan participation rule would not support the sale to FCUs of participation interests in a credit card portfolio, which consists of open-end, revolving credit," as we believe this restriction is detrimental to credit unions. The NCUA's loan participation rule is silent with respect to participations with open-end credit.

When credit unions sell their credit card portfolios, they must replace the yield associated with their credit card program. The League is interested in allowing credit unions to purchase a participation interest in the credit card portfolio the CUSO is building. This would keep the yield in the credit union industry and allow credit unions who sell their portfolio to remain involved in the financial transactions regarding their members.

The alternative to a loan participation program for credit card loans is for CUSOs to fund receivables through investment or loans to the CUSO or via other non-credit union options. Because of the federal caps on CUSO investments and lending, this would restrict the ability for the credit unions participating in the CUSO to financially benefit from the success of the program through direct participation in the credit card portfolio. We believe that the NCUA needs to examine the loan participation rule, as the innovation in the credit union industry has outpaced the rule and it needs to catch up or risk not being an effective means to balance the business needs of the credit unions with effective safety and soundness practices.

We also support the ability to “pool” credit card loans for loan participation because this ability to pool loans creates risk diversification for credit union participants and enhances the safety and soundness of the program. For example, when a major event impacts a community (i.e. natural disaster, major employer layoffs), the impact on an issuer like Capital One is minimal because their portfolio is national in scope, while the impact on a local credit union could be devastating. The ability to create a pooled loan participation program allows credit unions in this environment to diversify their risk by geography and employer.

Thank you for the opportunity to comment on the proposed rule. Should you have any questions, please feel free to contact me at (515) 221-3002.

Sincerely,

Patrick S. Jury

Patrick S. Jury
CEO
Iowa Credit Union League