

## Snyder, Diane L

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From: Kelley Melton [kmelton@greatplainsfcu.com]  
Sent: Wednesday, December 21, 2005 11:42 AM  
To: Regulatory Comments  
Subject: Third Party Servicing of Indirect Vehicle Loans

We at Great Plains Federal Credit Union are very pleased to see NCUA take this action. Our only fear is that it may be too little too late. We agree that there are risks involved with this type of lending and agree that due diligence is necessary. However, the biggest risk, at least in our case, is the risk that NCUA's hard stance will result in the third-party going out of business and forcing us to service these loans. DEC 22 10 51 9:32 BOARD

There should definitely be limits on this type of lending and the 50% and 100% of net worth limits seem fair to us. We currently have no intention of getting near those limits. The ruling mentions the fact that credit unions desired to continue their funding even though the due diligence had not been completed. We wish to do this as well simply to avoid the above mentioned risk of the third party going under.

We find it interesting that NCUA states "a credit union is not likely to experience a 100 percent devaluation of any particular...portfolio". This is a change from the worst-case scenario requested by examiners. It is good to see NCUA leaning more toward realistic possibilities. It is also good to see that NCUA is now willing to accept a SAS 70 report when it wasn't sufficient in the past.

The ruling mentions that inadequate oversight in one area may indicate problems in other areas. It would be nice if NCUA would acknowledge that the opposite could be true as well. If a credit union has a history of using good common sense and knowing its limitations, NCUA should consider that when handing down rulings. The examiners who have reviewed the credit union and know it well should be allowed to make this determination.

We still take issue with the requirement for an exit clause to replace an unsatisfactory servicer. The servicer should be held to its agreement. The problem is with the insurer. There is no incentive for them to agree to successor servicers in addition to ones agreed upon should the initial servicer fail. If we go elsewhere, the insurance is void and they keep the premium. This is a difficult requirement to fulfill.

We are very relieved to see this ruling. NCUA erred in handing down their initial restrictive rulings on all credit unions. It was noted that there are around 20 credit unions with more than 100% of their net worth in these types of loans. Instead of just acting to restrict these and others with excessive concentrations, NCUA took action that crippled these programs at all credit unions. We have over 17% net worth. Our indirect lending is less than 20% of our capital and we were only adding three to five loans per month. Yet we were required to take all these extra, time-consuming steps that will not add any value to the credit union or our members. NCUA asks for expertise. These third-party vendors provide that. It shouldn't have taken this long for NCUA to realize it was too restrictive since no credit union was able to pass an examination in this area. NCUA got things reversed. A ruling like this should have come out BEFORE the previous rulings requiring the excessive due diligence that was nearly impossible for any credit union to achieve. As I stated before, this ruling is a good thing. We just hope that it is not too late and that NCUA never resorts to such a rigid stance in the future.

Kelley W. Melton, Controller  
Great Plains Federal  
Credit Union