

Illinois Credit Union League

P.O. Box 3107
Naperville, Illinois 60566-7107
630 983-3400

VIA E-MAIL TRANSMISSION
regcomments@ncua.gov

February 21, 2006

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

Re: Third-Party Servicing of Indirect Vehicle Loans

Dear Ms. Rupp:

We are pleased to respond on behalf of our member federal credit unions and federally insured state chartered credit unions to the National Credit Union Administration ("NCUA") Board's request for comments on a proposed rule limiting the aggregate amount of indirect vehicle loans serviced by a single third party. The Illinois Credit Union League represents over 380 federal credit unions and federally insured Illinois chartered credit unions.

The proposed rule would limit the total amount of loans serviced by a single third party to 50% of a credit union's net worth for the first 30 months of the credit union's relationship with the third party servicer and to 100% of the credit union's net worth thereafter. The rule would authorize credit unions to make written request to their regional director to permit greater limits. In the Supplementary Information accompanying the proposed rule, NCUA states that credit unions currently participating in indirect servicing programs with concentration levels exceeding the proposed limits would be "grandfathered" and divestiture would not be required.

Grandfathering

NCUA should provide additional clarification in the Supplementary Information accompanying the final rule addressing which limits apply to a credit union participating in third party servicing prior to the effective date of the rule. NCUA should make it clear that the calculation of the length of time of the relationship with a third party servicer

does not commence with the effective date of the rule. E.g., if, on the effective date of the final rule, a credit union's relationship with a third party servicer exceeds 30 months, that credit union should be subject to the 100% limit.

30-Month Time Frame

NCUA states in the Supplementary Information that the 30-month time frame for moving from the 50% limit to the 100% limit is based on the average life of indirect outsourced loans. We request NCUA consider whether a shorter period is appropriate--based on credit union examination cycles, quarterly regulatory reporting cycles, and quarterly and annual due diligence reporting and monitoring. We believe 18 months to two years may be a more appropriate time frame.

50% of Net Worth Limit

We believe NCUA should consider allowing an initial 75% net worth limit to credit unions receiving a CAMEL 1 rating (evidencing the highest level of prudence, safety and soundness) and the management stability required for a Regflex determination.

Waiver Submittal

Although the Supplementary Information provides additional information regarding the waiver criteria set forth in the proposed rule, we believe NCUA should provide more specific detail regarding the documentation that must be submitted to demonstrate the credit union's due diligence in monitoring and protecting against program risks.

Waiver Expiration Date

The Supplementary Information states that if a waiver is approved, "the regional director will include appropriate limitations on the waiver such as a substitute concentration limit and a waiver expiration date."

We are at a loss to understand why there should be an expiration date on the waiver. If a credit union satisfies the proposed rule's substantial waiver requirements, the credit union should be assured that the higher concentration limits will continue to apply unless NCUA determines the credit union or vendor no longer satisfies the waiver criteria.

Imposition of a waiver date poses regulatory and administrative issues (e.g., length of waiver period and provisions for renewal of the waiver) that should be addressed in a proposed rule.

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We appreciate the opportunity to respond to the request for comment on third party servicing of indirect vehicle loans. We will be happy to respond to any questions regarding these comments or otherwise discuss our concerns with agency staff.

Very truly yours,

ILLINOIS CREDIT UNION LEAGUE

By: Cornelius J. O'Mahoney
Senior Technical Specialist

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