February 22, 2006

National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: Comments on Advance Notice of Rulemaking and Specialized Lending Activity

Dear Members of the National Credit Union Administration Board:

The Ohio Credit Union League, the trade association for credit unions in Ohio, advocating on behalf of more than 400 credit unions appreciates the opportunity to comment on the National Credit Union Administration's ("NCUA") proposed rule on Specialized Lending Activity.

NCUA has also issued the above captioned proposed rule out of concern that some credit unions are still not undertaking the requisite due diligence to understand and protect themselves from the risks of these programs. In an effort to protect the National Credit Union Share Insurance Fund from these risks, the proposal will impose limits on a federally-insured credit union's investment in indirect loans serviced by a single third-party.

This rule only applies to indirect vehicle loans serviced by third parties and will not apply to servicers that are federally insured financial institutions.

NCUA has issued a series of letters to credit unions relating to sound business practices beginning in 2001 and has undertaken a process to collect this data from the Call Report. As a result, in June, 2005, the NCUA Board issued Risk Alert 05-RISK-01 discussing concerns related to subprime, indirect automobile loans or serviced by third parties. However, "the Board remains concerned that some credit unions still do not undertake the requisite due diligence . . . in these programs."

The proposal will limit the aggregate amount of these types of loans serviced by any single third-party to 50% of a credit union's net worth during the first 30 months of a new third-party servicing relationship and to 100% of the credit union's net worth after the initial 30-month period.

These limits will only apply to loans made to finance vehicle purchases and do not apply to servicers that are federally-insured financial institutions or wholly-owned subsidiaries of federally-insured financial institutions. Credit unions will, however, need to conduct due diligence regardless of whether they are at or below these limits and regardless of whether the servicer is a

federally-insured institution, both before entering into indirect, outsourced lending programs and on an ongoing basis.

In reviewing this proposed regulation, the Ohio Credit Union League ("League") has some concerns. NCUA has stated that the proposed rule is limited in scope, in that it is limited to loans made to finance vehicle purchases and the concentration limits do not apply to servicers that are federally-insured depository institutions or wholly-owned subsidiaries of federally insured depository institutions. The risks to credit unions associated with these servicers are mitigated because federal regulators have access to and oversight of these entities. In addition, credit unions must still conduct appropriate due diligence even when using these servicers.

The League believes that this exemption fails to consider the unique and cooperative structure and solutions that credit unions develop to better serve their members. That is, it is not unusual for credit unions to pool their resources to participate collectively and cooperatively to form credit union service organizations ("CUSOs") in order to provide services predominantly to their members, other credit unions, and members of other credit unions. This is true regardless of whether the credit unions are federal or state chartered, whether federally insured or insured by another provider, or whether or not they are wholly owned by one credit union or multiple credit unions.

In fact, the risk to the entity or CUSO and the credit unions associated with these CUSO(s) and services they provide are mitigated because the federal credit union regulator, *i.e.* NCUA, and the respective state credit union regulators have access and oversight of, not only the credit unions, but the entities or CUSO(s) themselves.

Furthermore, it is not uncommon for multiple credit union investors in the CUSO to engage in participation lending to minimize and spread the risk incurred on each loan.

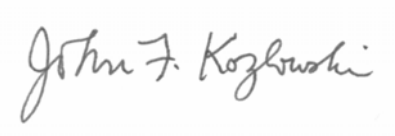
NCUA has long recognized the cooperative philosophy and participation of credit unions in investing in CUSOs and has taken that into consideration in its own Privacy Regulations regarding disclosures. More importantly, credit unions should not be limited in their activities because they choose to cooperatively participate in a CUSO to benefit their members. In fact, they should be encouraged to do so because it is the credit union initiative and solution to a necessary service.

It is very important that credit unions and their credit union service organizations be recognized as regulated entities and overseen by both federal and state credit union regulators, unlike other independent third party providers. Therefore, the League suggests the reference in section 701.21(h)(3)(i) to wholly owned subsidiaries by a federally insured financial institutions be modified to include credit union service organizations without

reference to charter or insurer by adding the phrase “or a credit union service organization“ in section 701.21(h)(3)(i) after “wholly-owned subsidiaries of federally insured depository institutions.”

The Ohio Credit Union League appreciates the opportunity to provide these comments and would be willing to provide additional information or discuss this further. If you have any questions please feel free to contact me at (800) 486-2917 or (614) 336-2894.

Respectfully submitted,



John F. Kozlowski, General Counsel
Ohio Credit Union League & Affiliates

JFK/lag

cc: Paul Mercer, President
Ohio Credit Union League & Affiliates