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August 6, 2008

Ms. Mary Rupp
Secretary to the Board
National Credit Union Association
1775 Duke Street
Alexandria, VA 22314-3428

Via electronic-post:
http://www.ncua.gov/RegulationsOpinionsLaws/proposed_regs/proposed_regs.html.

Dear Ms. Rupp:

Credit Union Leasing of America (CULA) is an arranger of credit union vehicle leasing programs with over 20 years of service provided to credit unions. We currently assist credit unions in the establishment and maintenance of closed-end consumer vehicle lease programs. However, we have recently commenced marketing an open-end commercial vehicle leasing program to interested credit unions.

Accordingly, the Administration's request for comment concerning its Part 723 business-lending rule is of significant importance, and we thank the Administration for the opportunity to present our views on certain issues related to credit union commercial leases. Our comments, as would be anticipated, focus primarily on the manner in which commercial vehicle leasing is affected by the rule.

1. Relationship of Part 714 and 723. Part 714 relates, of course, to leasing, including commercial leasing, and we recognize the need for the leases credit unions participate in under our program to be compliant with Part 714, and particularly the full payout rules. We note that the pure open-end lease format we will utilize in the commercial program invariably does so.

The necessity for commercial leases to comply with Part 723 is not as clear. Part 714 does not require such compliance on its face, although we understand that based on the composition of the NCUA's regulations at the time Part 714 became effective, the NCUA believes Part 723 applies to commercial leasing. In this respect we would ask the NCUA to clarify both that commercial leases are covered by Part 723 and that such leases will be deemed "secured" to the extent not falling within the unsecured loan allowances.

As an aside, we note that as a practical matter clarifying the coverage by Part 723 of commercial leases will effectively limit virtually all non-vehicle leases (i.e., equipment leases) to the unsecured limits of 12CFR§723.7(c), because the relevant leased property will not fall into 723.7(e) and will almost never meet the loan-to-value requirements of 723.7(a). Since we are

not involved in equipment leasing, we will not discuss this matter further other than to raise the question of whether this is a result which is consistent with the NCUA's goals.

2. Issues Surrounding Section 723.7. Under this section all commercial loans, and thus leases, must be secured by property with an aggregate value at all times equal to at least 25% in excess of the loan balance, unless subparagraph (e) applies. Since vehicle leasing is invariably effectively 100% financing, this means that all commercial vehicle leasing is effectively precluded unless it falls within the exception in subparagraph (e).

As currently written the (e) exception covers cars, vans, pickups and SUVs not part of a "fleet." We have two very significant concerns in this regard.

First, we question the appropriateness of excluding from the type of vehicles covered by the exception vehicles other than cars, vans, pickups and SUVs. There is nothing intrinsic in the covered types of vehicles that will cause them to depreciate less rapidly than other types of vehicles and, in fact, other types of vehicles, e.g., forklifts, certain commercial application trucks, etc., may hold their value significantly better. Accordingly, we would urge the NCUA to expand the class of vehicles to which the (e) exemption applies either generally or, if the NCUA is still concerned about unique units with reference to an individual item dollar cost limit (e.g., $100,000) or by exceptions (e.g., all commercial usage vehicles in excess of 30,000 pounds gross vehicle weight; i.e. those not typically considered light or medium duty).

Second, we believe the current fleet concept to be one without apparent strong underpinnings and, moreover, impractical in the setting of the single unit type of leasing we arrange. In response to this perception we would suggest first the elimination of the fleet exception to the (e) exemption which in reality eliminates fleet leasing entirely because it backs the credit union into the impossible situations, first, of 80% loan-to-value calculations in a 100% financing marketplace and, second, where, even if the first hurdle is surpassed, the inherent value fluctuations of the collateral make ongoing loan-to-value comparison nearly impossible.[1] As an aside, we would ask if the NCUA has any solid data suggesting fleet units deteriorate differently than non-fleet units and further suggest that loan concentration guidelines and other safety and soundness audit conventions are more than adequate to curtail any apparent issues arising in a fleet setting.

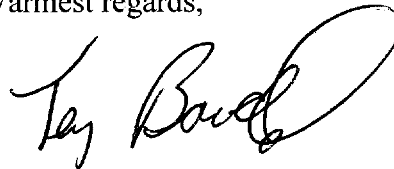
If the NCUA is not willing to remove the fleet concept for vehicles, then we would suggest an alternative approach to that currently mandated. We begin this discussion with an analysis of the underwriting of our single unit leases. They are single unit "indirect" leases generated at dealerships. The dealer sends in a credit application to the credit union, which describes the unit to be leased and provides information as to the creditworthiness of the lessee. Information about other vehicles is neither sought nor relevant to the credit union decision. This is clearly different than direct lending where the lending officer, typically while discussing a line of credit relationship relative to a "fleet," might logically ask for such information. This suggests distinguishing fleets based on whether the lease is a single unit indirect lease or part of a line of credit; remembering that the practical effect of a fleet characterization is to preclude the lease because of the inadequacy of the $100,000 unsecured limit to allow fleet funding and the impracticability of loan-to-value compliance. Were this approach adopted, the New Jersey

[1] We note that the OCC secured lending and loan-to-value rules focus solely on collateral the value of which is generally level or increasing and which is not subject to depreciation fluctuations and there is a 15% unsecured lending juxtaposed to the NCUA's 15% secured lending limit.

leasing act might be a good starting point. That law distinguishes between covered single unit leases and uncovered "fleet" leases depending on whether the lease is for a single unit or is either for two or more units or contains an option to lease additional units. Such an approach is clearly consistent with the underwriting realities we discuss above and would also allow for the rule to reflect better the nature of the marketplace were the NCUA unwilling to forego this fleet exception to (e).

Again we thank the Administration for this opportunity to comment on Part 723 and would invite its officials to contact the undersigned directly if we can provide any further comments on any related matters.

Warmest regards,



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