

NORTH CAROLINA CREDIT UNION LEAGUE

NORTH CAROLINA CREDIT UNION LEAGUE CREDIT UNION SERVICE CORPORATION FIRST CAROLINA CORPORATE CREDIT UNION

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February 17, 2006

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: Request for Comments Third Party Servicing of Indirect Loans

Dear Members of the Board:

The North Carolina Credit Union League (NCCUL) appreciates the opportunity to comment on the National Credit Union Administration's request for comments regarding amendments to 12 C.F.R. Parts 701 and 741 - Third-Party Servicing of Indirect Vehicle Loans. NCCUL represents 124 state and federal credit unions in North Carolina. This letter reflects comments received from five credit unions.

In reviewing the proposal credit unions had comments with the following specific areas:

Concentration Limits

The proposed rule states that the aggregate amount of vehicle loans serviced by a third party servicer can not exceed 50% of net worth during the first 30 months of a new relationship. We offer the following recommendation to this requirement:

- Amend the rule to permit a credit union to accept indirect loans serviced by a third party up to 75% of net worth during the first 18 months of a new relationship.

For example, a credit union with 1 billion in assets and a net worth of 9% or \$90 million, would be permitted to hold approximately \$45 million in indirect loans serviced by a third party. The average credit union in this scenario might bring in \$10 million per month in indirect loans in a well managed program. In this scenario using the current limits proposed by NCUA the credit union would reach their limit in only four months. Basically the credit union would have to turn the loans on and off on a regular basis, based on the tight limit.

Waiver

We encourage NCUA to clarify the process a credit union would go through when they apply for a waiver of the concentration limits. Including;

- Process for the credit union requesting a waiver,
- The process that NCUA will utilize,
- Timeline, and
- Documentation requirements.

Terminology in 701.21 h) (3) (i)

We ask that NCUA consider replacing the phrase “wholly-owned subsidiary of a federally-insured depository institution” with the phrase “an entity having a majority of its voting interests owned by federally-insured depository institution”.

The North Carolina Credit Union League appreciates this opportunity to share the views of North Carolina’s credit unions on the proposal.

Respectfully submitted,

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