June 30, 2015

The Honorable Deborah Matz
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

The Honorable Richard T. Metsger
Vice Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

The Honorable J. Mark McWatters
Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Chairman Matz, Mr. Metsger, and Mr. McWatters:

I am writing this letter on behalf of NACUSO in support of the request of CU Direct to amend NCUA Regulations Part 712.5 to add to the list of authorized CUSO powers the following:

1. The purchase of vehicle-secured retail installment sales contracts from vehicle dealers, including the authority to buy and sell participation interest in the loans that result from these purchases.

2. The origination of direct auto loans, including the authority to buy and sell participation interest in the loans that result from these purchases.

3. The origination of unsecured loans and lines of credit, including the authority to buy and sell participation interest in the loans and lines that result from these purchases.

NACUSO 3419 Via Lido, PMB #135, Newport Beach, California 92663 Phone: (888)462-2870

As you are aware, the CUSO Regulations permit the origination of business loans, consumer mortgage loans, student loans, and credit card loans. When the CUSO Regulations were originally written, car loans were the bread and butter of credit union lending and done one-by-one through direct loans without serious competition by large scale indirect lending aggregators. That is not the world today. Indirect lending networks and Internet competitors are serious competition to credit unions for car loans. Internet and peer-to-peer competitors are also serious competition to CUSOs for unsecured loans.

CUSOs, such as CU Direct and others, have been created to help credit unions create and manage dealer networks to insure that credit unions get a healthy share of the indirect auto loan marketplace. Many of the dealer networks are local and regional but some are national in scope. The advances in technology and the growth of industry players have made national indirect loan networks possible. In order for CUSOs to penetrate the national and large regional markets for car loans, CUSOs need the ability to tell dealers that it will be able to buy all the loans without a membership factor. The membership factor, while we recognize that it must be factored into the decision of which credit union buys a loan and to the overall percentage of CUSO business, prevents or slows down the car buying process and renders credit unions non-competitive. This can be accommodated within an appropriate CUSO structure of buying and selling auto loans with the authority that could be, and we feel should be, granted by NCUA.

By enabling CUSOs to be the initial buyer of the loan or a default buyer of the loan, the membership factor does not slow down the car buying process. Once the pressure of the car selling process is completed, CUSOs and their credit union clients can manage the membership process. Credit unions can buy the loans once the borrower's membership is established or confirmed. If a borrower cannot be made a member of a credit union, CUSOs can hold the loan or sell the loan to a non-credit union lender.

There has never been a policy reason to permit CUSOs to originate some types of loans but not other types of loans. We hear from long-time NCUA staffers that one reason car loans were not added as a CUSO power in the past is that credit unions opposed the CUSO lending power as competition to credit unions. We believe that such misguided views do not continue to exist. Adding these lending powers is not a regulatory leap. NCUA can extend the CUSO lending powers without a legitimate objection from the usual industry critics. The changes in the car lending and unsecured lending marketplace justify the change.

With the new CUSO direct reporting requirement, NCUA will be able to see what is happening in all the lending CUSOs. With the limitation in CUSO investment and lending powers, CUSOs will not have the ability to buy and hold a large portfolio of loans. The majority of the loans will still be held in the credit union, fully visible to examiners.

Credit unions will underwrite and service the loans just as they would do without a network. Without the expansion of the lending powers, credit unions will not have real and meaningful access to large indirect lending networks and credit unions will continue to be at a competitive disadvantage to other lenders.

NCUA has previously made a change in the CUSO Regulation due to changes in the marketplace. There was a time when numerous credit unions sold their credit card portfolios to banks because there was no credit union industry buyer able to buy the portfolios. NCUA responded by amending the CUSO Regulation to permit credit card lending. CUSOs were then created to give credit unions an industry option. When the industry conditions changed, NCUA responded. We submit it is time for NCUA to respond again.

Thank you for your consideration.

Very truly yours,

Jack M Antonini

Jack M. Antonini
President and CEO

cc: Michael McKenna, NCUA General Counsel
Larry Fazio, Director, Office of Examination and Insurance