



March 23, 2017

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

The Honorable Rick Metsger  
Board Member  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

Re: Request to Amend the CUSO Regulation to Permit CUSOs to  
Originate All Types of Loans

Dear Messrs. McWatters and Metsger:

On behalf of NACUSO and its members, we are asking NCUA to amend and clarify NCUA Rules and Regulations Part 712.5. Part 712.5 lists the permissible services that a CUSO may provide. Originally, Part 712.5 was created as a categorical list of pre-approved activities a CUSO may provide. The list was not meant to be an exclusive laundry list of activities. In the preamble to the 2001 Amendment to Part 712.5, the Board clarified "[t]he specific activities listed within each preapproved category are provided in this section as illustrations of activities permissible under the particular category, not as an exclusive or exhaustive list." [Fed Reg Vol 66, No. 36] The Regulation anticipates periodic redefining of the permissible CUSO services. We respectfully suggest that the time to expand and clarify the CUSO's loan origination powers is now.

Currently, Part 712.5 lists the following as "categories" of loan origination services CUSOs are permitted to provide: (1) business loan origination, (2) consumer mortgage loan origination, (3) student loan origination and (4) credit card loan origination. We believe these are not categories of services by themselves and create confusion in the industry. For instance, "business loan origination" has meant for years that CUSOs can originate and hold "business loans"; however, does this preclude a CUSO from originating commercial loans. Similarly, does "consumer mortgage loan origination" preclude the origination of home equity loans or lines of credit? This selective lending power can be awkward and confusing.

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In the past, when auto loans and unsecured loans were the bread and butter of credit union lending, there were some smaller credit unions that thought CUSOs would pose competition to credit unions. It was a misguided reason to limit the ability of CUSOs to make these loans and it is even more misguided in today's hyper competitive world. CUSOs act as intermediaries to source loans for credit unions that are critical in today's interconnected world. The inability of a CUSO to source a type of loan can weaken credit unions in that marketplace.

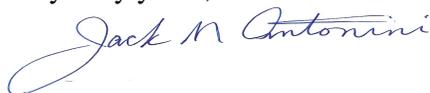
This weakness in the CUSO Regulation led NACUSO to advocate the addition of auto loans to those loans a CUSO can originate. Because the CUSO registry now better enables NCUA to know which CUSOs are offering which types of products, we were pleased that our request was met with acceptance in concept at the NCUA Board and Staff levels but we have been told that the implementation would be temporarily delayed pending the enactment of other priority regulations scheduled for 2016. With the passage of several major regulations that were enacted or placed into proposal status in 2016, we believe that the time to implement a reasonable expansion of CUSO lending powers is now.

However, despite the very positive response provided to our interest in adding auto loans to those loans a CUSO can originate, we would like to emphasize that our request is not limited to adding just auto lending powers. If a modernization and update of the CUSO authorities is to be considered, we believe an amendment to the lending powers of CUSOs should include all loan types to avoid the need for subsequent requests for additional lending powers. This change will also clarify the category of lending powers in Part 712.5. NACUSO proposes that CUSOs have the power to "originate and hold all types of loans credit unions can make." This change would create an unambiguous, rational and highly defensible lending services definition for CUSO powers. It would correct a policy that authorized certain lending powers for CUSOs and excluded others without a rational basis.

Therefore, we request that the Part 712.5 of the NCUA Rules and Regulations be revised by the deletion of the references to the origination of business loans, consumer mortgage loans, student loans and credit card loans (Sub-Sections 712.5(c), (d), (n), and (s)) and the following language added as a new Sub-Section (c): "originate and hold loans, including the authority to buy and sell participation interests in such loans."

Please feel free to call upon us for further information. We thank you for your consideration of this very important issue for credit unions.

Very truly yours,



Jack M. Antonini  
President and CEO