

INDIRECT LENDING

SERVICES, LLC

P.O. Box 190012, N. Charleston, South Carolina 29419-9012 • (843) 569-5009 • 1-800-845-0432 ext. 5009

December 16, 2005

To: Clients of Indirect Lending Services, LLC

Re: Third Party Servicing of Indirect Loans

The following information is provided to you as a service of Indirect Lending Services, LLC. It is our intent to help you remain aware of trends and industry events as they occur related to indirect lending.

On 12-15-05 the NCUA published its Notice of Proposed Rule Making 12 CFR Parts 701 & 741 involving third party servicing of indirect vehicle loans for credit unions by non-federally insured institutions. It says: "Rule to Regulate purchases by federally insured credit unions of indirect vehicle loans serviced by third parties. NCUA proposes to limit the aggregate amount of these loan services by any single third party to a percentage of Net Worth. The effect of the proposed rule would be to ensure that federally insured credit unions do not undertake undue risk with these purchases." Particular concern is expressed over the need for adequate due diligence, controls and experience with service performance, possibly resulting in weaker than expected earnings. In addition risks associated with credit, liquidity, transactions, compliance and reputation are specifically cited. Limits for loan purchases are equal to 50% of net worth during initial 30 months or 100% of net worth after initial 30 months. Credit unions engaged in these relationships will not have to divest but must reduce their exposure to allowable limits before additional purchases can occur.

This rule has no effect on your relationship with Indirect Lending Services, LLC. You may view the NCUA notice at www.ncua.gov.

Please let me know if you have any questions.

Sincerely,



John Bryan, President
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