



August 4, 2011

Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
Email: regcomments@ncua.gov

Re: Comments to the Proposed
Amendments to the NCUA Regulations re:
CUSOs 12 CFR Parts 712 and 741

Dear Ms. Rupp:

Please be advised that CU Holding Company, LLC opposes the above referenced Amendment to the NCUA Regulations regarding CUSOs for the following reasons.

If passed, this proposal will single-handedly kill the one competitive advantage the credit union industry has—a unique business model that enables collaboration and innovation so credit unions can achieve economies of scale, increase efficiencies, share intellectual capital, provide better service to members, and mitigate risk. Yes, this innovation incubator business model, the CUSO, is built to protect credit unions and their members, while encouraging innovation for better financial solutions.

The data you seek will not provide any value beyond what already exists, especially for CUSOs that are regulated by other financial services regulators (e.g., SEC and insurance regulators). It is impossible to measure CUSOs by the same metrics used for credit unions when CUSOs are in completely different industries. In fact, it is not possible to measure CUSOs against one another either because we are unique businesses even within the CUSO arena. In the broader business environment, you would not measure an IT firm against a marketing company, or a payroll company against a mortgage company. Yet, if all CUSOs are lumped together and measured against the same metrics, that's exactly what will happen.

Because CUSOs encompass a broad range of business types, the cost in staffing and operational budget incurred by the NCUA would be staggering—yet another burden that would be passed on to credit unions at a time when they can least afford it.

Our CUSO provides payroll, marketing, short-term lending, mortgage, title, and R&D services to over 200 credit unions and their members. Through decreased expense and increased income, our CUSO has benefited our credit union owners and clients by hundreds of thousands of dollars. Monies paid to CUSOs flow back to the credit unions, unlike monies paid to non-credit-union-owned third party providers. CUSOs provide the unique advantage of keeping the members' money working within the credit union family.

Increasing regulation will put CUSOs at a competitive disadvantage with non-CUSO competitors. First, it increases overhead costs for CUSOs making it difficult to compete on price. Second, it exposes confidential business plans, balance sheets, income statements and customer lists. This information would be available to the public (and competitors) through FOIA requests. In addition, it would force many of our CUSOs to alter the privacy agreements we have with our credit union clients.

The aggregate amount invested in and loaned to CUSOs is only 22 bps of industry assets. It's inconceivable that this truly can represent "systemic risk" to the industry, especially when the total aggregate investment in and loans to CUSOs is considerably less than the annual corporate stabilization assessments in any of the last three years.

NCUA already has the ability to examine the books and records of CUSOs and exercise full leverage over the credit union owners to resolve any safety and soundness issues. Each credit union's CUSO investment risk is less than 1% of its assets. NCUA cannot make the case that CUSOs had anything to do with the financial difficulties in the credit union industry.

The two reasons stated by NCUA for imposing regulatory authority over all CUSOs are inadequate to justify new regulation. NCUA desires parity with banks' regulatory authority over bank operating subsidiaries yet there is no evidence that the banks' regulatory authority over bank operating subsidiaries mitigated bank losses in the economic crisis. NCUA cites substantial loan losses realized in a certain business lending CUSO. Even if CUSOs that make business loans pose a risk that need addressing, NCUA's attempt to apply a regulatory cure for a business lending CUSO to all CUSOs is misguided when business lending CUSOs are estimated to constitute less than 1% of total CUSOs.

Success for our CUSOs is defined by how much success we create for our credit unions, not the size of our CUSO balance sheet or checking account. That's what the CUSO model is for—collaboration and innovation to create success for credit unions. How does NCUA expect to see the value of CUSOs to credit unions or analyze risk solely through a balance sheet or income statement? What will be the NCUA's standards of review for CUSO success? Does NCUA intend to shut down a CUSO that does not have a large balance sheet or income statement regardless of the positive financial or service impact the CUSO has for its credit union owners? Does NCUA have

congressional authority to require CUSOs to report financial information directly to NCUA? This proposal feels like third party vendor regulation.

We ask the NCUA to withdraw the proposed Amendment.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lisa Renner". The signature is fluid and cursive, with the first name "Lisa" being more prominent than the last name "Renner".

Lisa Renner, CEO

cc. The Honorable Debbie Matz, Chairman
The Honorable Michael Fryzel, Board Member
The Honorable Gigi Hyland, Board Member