

August 5, 2011



Mary Rupp, Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexander, VA 22314-3428  
Email: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

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

Dear Ms. Rupp:

CUSOs play a critical role in the credit union industry by helping credit unions generate non-interest income through collaboration, new service offerings and cost reduction through aggregation. These collaborative and innovative efforts enable credit unions of all sizes to more effectively compete with banks by providing the services members require. NCUA's support of these collaborative efforts is equally important to the industry's success.

As a leading CUSO serving and adding value to the credit union industry for the past 30 years, CO-OP Financial Services is greatly concerned with the onerous CUSO filing requirements and oversight being proposed by the NCUA that has little to no impact on the safety and soundness of the credit union industry.

CUSOs represent less than 2% of individual credit union assets and only 22 bps of the total industry assets. While there are a few high exposure examples of CUSO failures that contributed to the downfall of specific credit unions, there has not been a systemic problem with CUSOs causing credit union failures.

NCUA currently has the authority to inspect the books and records of CUSOs, requires a legal opinion prior to a credit union investing in, lending money to or when a CUSO changes its entity structure to ensure the CUSO is established in a manner that will limit the credit union's exposure to no more than the amount invested, has comprehensive due diligence/vendor management guidance and requires the investing credit union to make changes if the CUSO is not in compliance with the Regulation. These existing requirements provide adequate means for the NCUA to effectively mitigate the less than 2% CUSO investment risk. Not to mention the proposed reporting requirements greatly overlap the existing data already available to the NCUA.

The proposed regulation's five categories of reporting are purposely being left broad to allow further reporting requirements from CUSOs, which left unchecked and without specific identified risk mitigation value, put an undue administrative cost on CUSOs, making them less competitive in the marketplace.

In addition to the five broad categories of reporting, there are other items that are not adequately defined and or overly burdensome to implement. For example, the term "subsidiary" in part 712.11 is ill defined as an entity in which a CUSO invests at any level. Typically a subsidiary is an entity in which a substantial investment has been made (51% ownership), or significant control exists allowing the investing CUSO to require the subsidiary to be compliant with all CUSO regulations. As currently defined, CUSOs will likely be out of compliance with investments where ownership is less than 51% and they do not have significant control over the entity. CUSOs would not have significant influence to cause the smaller investments to comply with the proposed regulation and all the related existing CUSO regulations.

As a strong supporter of the credit union industry, CO-OP Financial Services believes in prudent regulation to ensure the safety and soundness of the industry. However, after a thorough review of the proposed regulation, CO-OP Financial Services has failed to identify the value of the additional regulation, how NCUA will safely maintain the records, protect confidential and proprietary information and remediate non-compliance.

Thank you for the opportunity to comment on the proposed regulation.

Sincerely,



Stanley Hollen  
President/CEO