

August 22, 2011

Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

Ms. Rupp:

As a credit union CEO, I wish to express my opposition to the NCUA proposal to amend the regulations for credit unions service organizations (CUSOs), 12 CFR Parts 712 and 714. CUSOs are independent corporations owned by credit unions and provide backbone services for the credit union industry through data processing and other relevant services. The NCUA has admitted they have no enforcement power over CUSOs and other third party vendors servicing the credit union industry.

The proposed rule would require all CUSOs to file quarterly reports not only with the NCUA but in every state where a credit union has ownership in a CUSO. In practice, this means a CUSO with a national presence would have to file quarterly reports with dozens of states. This requirement is costly and unduly burdensome not only to the CUSO, but also to the states that receive these quarterly reports.

Furthermore, the NCUA already has indirect supervisory ability through their direct oversight of credit unions. The NCUA can request the financials of credit unions and the financials of every investment the credit union has made. Thus the NCUA already has all the information needed to provide credit union with guidance regarding CUSO investments.

Please vote no against this proposed regulation. The proposal does not effectively address any key concerns within the credit union industry, and merely adds unnecessary burdens to CUSOs, devaluing our credit union investment. Because credit unions are owned by our membership, anything harmful to the credit union ultimately is harmful to our members.

Thank you very much for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Harriman", is written over a faint, illegible stamp.

Scott Harriman  
President/CEO

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 **CUMBERLAND  
COUNTY**  
*Federal Credit Union*

August 9, 2011

Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

Ms. Rupp:

I was recently made aware of the NCUA's proposed revisions to the CUSO Regulation (12 CFR Parts 712 and 741). The proposition is alarming in its implications of direct CUSO regulation by the NCUA despite no Congressional authority to do so, and to the negligible benefit it provides when compared with the harm it poses to credit unions and the CUSO model.

Although the NCUA may be well-intentioned as it acts in the name of "safety and soundness," the proposal has provided little evidence to support the need for direct regulation of CUSOs. As the NCUA has the ability to indirectly influence CUSOs through its regulation of credit unions, I see little value in the addition of requiring CUSO business plans, balance sheets, income statements, and customer lists. Not only does this place CUSOs at a competitive disadvantage to non-CUSO competitors by exposing private business secrets to public dissemination through FOIA requests, but it overlooks the core principles of the CUSO industry and the value they provide to their credit union partners.

The "systematic risk" CUSOs are suggested to pose seems an exaggeration as the aggregate amount invested in and loaned to CUSOs is only 22 bps of industry assets. Business lending CUSOs constitute less than 1% of total CUSOs and existing statute limits a credit union's CUSO investment to less than 1% of its assets. Given the lack of evidence to support CUSOs' involvement in the difficulties of the financial industry, I find the proposition an unnecessary risk to the CUSO industry and an unnecessary cost to the NCUA operational and staffing budget in light of recent economic developments—an expense the credit union industry would likely bear.

CUSOs have helped credit unions earn and save millions of dollars, and embody the spirit of cooperation that formed the industry that the NCUA now governs. These regulatory burdens do not protect credit unions; they damage their ability to seek innovative means of attaining sustainability.

Please reconsider the need, value, and burden of this proposal.

Sincerely,



Scott Harriman  
President/CEO

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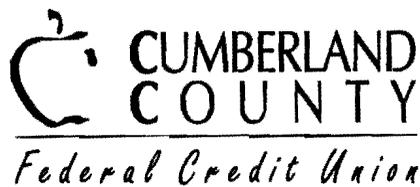
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National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

Ms. Rupp:

I am writing in response to the NCUA's proposed rulemaking for CUSO Regulation. I oppose regulations that do not create unique and industry specific value. They are simply redundant and unnecessary. A request for power should be accompanied by a full plan that discloses both the need for power and the intention of its use.

CUSOs help credit unions earn and save millions of dollars under the current regulatory model. There is no evidence that CUSOs pose a systematic risk to credit unions that requires regulatory change.

NCUA's information disclosure and regulation of CUSOs will stifle the ability of CUSOs to innovate and provide collaborative solutions that will sustain credit unions as regulatory considerations will often replace value factors in the decision to invest in a CUSO. There is no recognizable regulatory value beyond what already exists.

By imposing regulatory burdens on them, CUSOs are put at a competitive disadvantage with non-CUSO competitors by exposing private business secrets to public dissemination through FOIA requests. CUSOs are the collaborative arm of credit unions trying to solve operational and financial issues for credit unions. Credit unions should not have unnecessary hurdles placed in their path as they seek solutions to their sustainability by the very agency that should champion their existence.

Please reconsider the need, the value and the burden of this proposal.

Sincerely,

A handwritten signature in black ink, appearing to read 'Scott Harriman', is written over a faint, illegible background.

Scott Harriman  
President/CEO

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