*power*TRUST
CREDIT UNION SERVICE ORGANIZATION

Emailed Copy: regcomments@ncua.gov

August 23, 2011

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

RE: **NCUA** 12 CFR 712 **Proposed CUSO Rule Amendments**

The NCUA Board has proposed amendments under 12 CFR 712, which intensifies reporting requirements for CUSOs and would require state chartered federally insured credit unions (FISCUs) to comply with requirements regarding CUSOs that federal credit unions must currently meet. The rule would require all CUSOs to file financial reports directly with NCUA and the appropriate state supervisory authority (SSA).

Comment: CUSO's are managed on a thin expense margin to maximize service and reduce the cost of operations. The proposed expanded definition to include any and all CUSOs does not take into consideration the size of the CUSO.

Case in point is the $242 million Meridian Trust Federal Credit Union and $420 million Utah Power Credit Union's jointly owned CUSO, *power*Trust CUSO. *Power*Trust operates on less than $100,000 annual investment. This is negligible in comparison to the proposed regulation and is mandating burdensome regulation in documentation and reporting controls without consideration of the CUSO's size.

Future CUSO development would be impeded by this proposed regulation because of the costs in complying for small to medium size operations. In times when earnings are squeezed, it is not the time to hinder collaboration and sharing resources, but rather maximize the use of this business model.

Additionally, the proposed amendment has key elements that have not been addressed completely. It leaves unanswered questions such as what makes a "good" CUSO in the examiner's opinion. How will they be evaluated? What tactics will be applied if in NCUA's opinion the CUSO isn't profitable, but provides a service to a number of members of a well capitalized credit union? If a licensed CPA is preparing the financials, will NCUA hire CPAs to interpret the data? How is NCUA going to analyze all of this data coming in? How is NCUA going to manage the administration of all this expanded recordkeeping? NCUA's 2011 Budget surpassed 2010 by 12% and was hotly contested from the credit union industry. Another round of double digit operating expense for 2012 could be met with greater opposition without justifying how it can offset the risk.

The Paperwork Reduction Act analysis underestimates the impact on CUSOs. Even with our small CUSO, our actual experience is twofold that amount reflected in the analysis. When time and costs are underestimated, we are only fooling ourselves that this isn't going to significantly impact the cost of operations.

Lastly the proposed amendments combine "federally insured credit union" or "FICU" into one term using FICU to apply to both. The Federal Credit Union §1752 §101 describes (1) the term Federal credit union "means a cooperative association organized in accordance with the provisions of this chapter for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes." It does not differ between those that are federally insured or not.

Using the Federal Credit Union wording as precedence would therefore prescribe using FCU to apply to both federally chartered credit unions and federally insured credit unions.

Proposed Revisions: Determine appropriate size of Credit Union Service Organization that would materially impact the safety and soundness of the industry. This would eliminate unnecessary mandates for organizations that do not considerably pose a risk to the investing credit union(s) or NCUSIF.

Respectfully Submitted,

K Withers

Kimberley Withers, Pres./CEO
Meridian Trust Federal Credit Union &
PowerTrust CUSO Vice Chairman

Ryan Pollick, Senior Vice President
Utah Power Credit Union &
PowerTrust CUSO Chairman