

# Wright-Patt

CREDIT UNION, INC.

August 29, 2011

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

RE: Comments to the Proposed Amendment to the NCUA Regulations re: CUSOs 12 CFR Parts 712 and 741

Dear Ms. Rupp:

Wright-Patt Credit Union, Inc. ("WPCU") appreciates the opportunity to provide comments on the proposed regulation issued regarding NCUA's CUSO regulations.

Wright-Patt Credit Union is located in Fairborn, Ohio and is the state's largest credit union with over \$2.2 billion in assets and more than 200,000 member-owners. WPCU is a community based financial institution that serves a seven county region around the Dayton market as well as the financial needs of Wright-Patterson Air Force Base. Wright-Patt Credit Union has a minority ownership interest in eight CUSOs that it uses to provide enhanced services to members or achieve lower operating expenses through collaboration and shared costs. In addition, WPCU is the sole owner of myCUMortgage, LLC. ("myCU").

myCU is an Ohio limited-liability company that has been in existence for over ten years. The subsidiary provides mortgage outsourcing and operational solutions, including origination, processing, and underwriting services along with access to the secondary market, to over 130 credit unions across the United States. These credit unions have nearly two million members and nearly \$20 billion in assets. Despite these large numbers, the credit unions served range in size from \$5 million in assets up to \$700 million in assets. The majority of these credit unions are too small in size and mortgage volume to offer a viable and competitive mortgage program to their members. Despite their smaller size, these credit unions are large players in their communities in promoting responsible home ownership. In 2010, they credit unions generated approximately \$650 million in mortgage loans. During that time, myCU generated over \$4 million in net income back to WPCU.

Because of these ownerships, especially our wholly-owned subsidiary, we are highly concerned about the proposed regulations and their impact on our ability to utilize CUSOs. We believe that NCUA's regulation will hurt CUSOs ability to innovate and provide an unlevel playing field against non-credit union owned competitors while increasing the costs of our operation.

CUSOs account for a mere 22 basis points of the total industry assets. In addition, the federal investment and loan limitations of 1% of assets suggest the maximum risk is minimal. There is no evidence that CUSOs provide any level of systematic risk to the share insurance fund. We

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do recognize that individual CUSOs have led to credit unions losses, but we believe the proposed regulation is overreaching in its attempts to regulate CUSOs. NCUA already has the ability to access the books and records of CUSOs and exercise its authority over its credit union owners. We believe that NCUA's power over CUSOs, through their credit union owners, is more than sufficient to stem serious risk issues.

By creating regulatory burdens, including the submission of audited financial reports, customer lists and business plans, NCUA will put CUSOs at a competitive disadvantage. CUSO competitors will be able to access such information through Freedom of Information Act requests. CUSOs will also have extra expense associated with compiling and completing the information requests for NCUA thereby decreasing revenue streams available to their credit union owners.

We also question NCUA's legal authority to approve the proposed regulatory changes. NCUA has repeatedly admitted that it does not have regulatory approval over CUSOs – most recently by not exempting CUSOs from burdensome SAFE Act requirements, yet it wants CUSOs to submit information directly to NCUA. This appears to be an attempt to circumvent authority and obtain vendor authority without the authorization of Congress.

In regards to the proposal, we do have several clarifying questions that we believe must be addressed if the regulation is to move forward. Though we hope NCUA reconsiders and ultimately withdraws its CUSO regulation, our questions include:

1. A definition of a CUSO subsidiary needs to be provided. Does a CUSO need to have a controlling interest in the subsidiary, or is any and every ownership considered a subsidiary? WPCU has several ownership stakes of less than 5% of the CUSO.
2. NCUA suggests it will limit CUSO investments to credit unions with less than 6% capital. What will be the steps taken if NCUA determines a CUSO is over invested? What steps will be required in order to obtain permission to make additional investments? What is the timeline for the approval process?
3. What measurements or metrics will be used to determine the success of a CUSO? Some CUSOs purposely have minimal balance sheets and minimum capital to reduce the exposure of their owners. Other CUSOs attempt to operate at breakeven level in order to pass operational costs savings along to their owners. How will this be considered in the review? Will the impact of the CUSO on the credit union owner's financial status be considered? Will NCUA shutter a CUSO without a sizeable balance sheet or income statement?
4. If reporting requirements are created, what will be the frequency by which they are submitted? The proposal indicates "at least annually" but gives no guidance as to how that will be determined.

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5. If the audited financial statements are required, will NCUA establish a minimum threshold for the audit? One CUSO in which WPCU has an ownership stake has less than \$50,000 in assets and annual revenues less than \$40,000. The cost of audit would be inordinate for an organization of this size.
6. What training will NCUA examiners receive in order to adequately examine a CUSO?
7. Will NCUA reconsider its prior decisions regarding non-regulation of CUSOs on such regulatory items as the SAFE Act if it implements this proposed rule?

All of these issues deserve further clarification before NCUA proceeds with the proposed regulation.

In conclusion, we respectfully request that NCUA reconsider, and ultimately withdraw, its CUSO regulation proposal. CUSOs have been successful in helping credit unions be more competitive, develop collaborate approaches to common problems, reduce operating expenses and/or generate new revenue sources. All of these have helped, not hindered, the ability of credit unions to weather the financial storm. We are hopeful NCUA will consider the positive impacts CUSOs have made on our industry and not put in place an over-reaching regulation to limit their ability to help credit unions succeed in serving their members. Strict regulation of CUSOs will stifle these opportunities and create more, not less, risk for the share insurance fund. If I can provide additional information or clarity to my comments, please do not hesitate to reach out to me at 937-912-7853 or [tmislansky@wpcu.coop](mailto:tmislansky@wpcu.coop).

Sincerely,



Timothy J. Mislansky  
Senior Vice President, Wright-Patt Credit Union, Inc.  
President, myCUMortgage, LLC

cc: The Honorable Debbie Matz, NCUA, Chairman  
The Honorable Michael Fryzal, NCUA, Board Member  
The Honorable Gigi Hyland, NCUA, Board Member  
Mary Dunn, Credit Union National Association, Deputy General Counsel  
Paul Mercer, Ohio Credit Union League, President  
John Kozlowski, Ohio Credit Union League, General Counsel  
Jack Antonini, National Association of Credit Union Service Organizations, President