



MISSOURI CREDIT UNION ASSOCIATION

September 12, 2011

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street, Alexandria, Virginia 22314-3428
regcomments@ncua.org

RE: Michael V. Beall, Esq., - Comments on Notice of Proposed Rulemaking (CUSOs)

Dear Ms. Rupp:

On behalf of our 1.3 million credit union members, the Missouri Credit Union Association (MCUA) would like to take this opportunity to express our views on the proposed amendments to expand reporting requirements for credit union service organizations (CUSOs) in order to address safety and soundness concerns.

Evaluating Business Lines

As is often the case, a few problematic entities can cause extensive scrutiny of an industry as a whole. In the case of CUSOs, it is understandable that given the recent losses due to a few CUSOs, the Board wants to consider additional regulation to insure safety and soundness for all credit unions. However, we disagree with the Board's broad application of this proposed rule to include all CUSOs and all subsidiaries in which they invest. We encourage the NCUA to prudently approach regulating the industry in recognition of the success of the overwhelming majority of CUSOs.

In other areas of the regulatory framework, it is recognized that each type of business line presents certain risk and, therefore, warrants separate regulations (or regulatory agencies) based on the type of business and level of risk. NCUA's approach aggregates all CUSO business lines under one regulation. For example, data processing operations is very low risk and may not warrant the same level of scrutiny as business lending lines. Overregulating CUSOs may discourage such ventures and, consequently, reduce the services credit unions could offer members.

In order to evaluate the proposed collected information, a high level of expertise will be needed on the part of NCUA including understanding each of the business lines as well as their competitive market. Unless prepared to provide such expertise, we caution against creating a false sense of industry security on the part of the credit unions who currently take on the burden of monitoring the CUSOs.

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If NCUA proceeds, we strongly suggest NCUA narrow its focus on those CUSOs with riskier business lines and not impose these reporting burdens on the less risky CUSO entities.

Adding New Terms

MCUA supports and appreciates the Board's attention to clarification when describing federal credit unions (FCUs) and federally insured state-chartered credit unions (FISCUs). We agree that, when the Board means all FCUs and FISCUs, the term "federally insured credit union" or "FICU" will make the text more fluent.

Denying Share Insurance

Missouri credit unions are required by state statute (RSMo 370.362) to be federally insured. Removing federal deposit insurance through NCUA as a result of non-compliance with the regulation could have a far-reaching impact to Missouri credit unions, as well as those in other states. If deposit insurance is revoked for just one credit union, then the safety and soundness of an entire state credit union system could be jeopardized. We believe that NCUA has other enforcement options at hand that allow it to ensure compliance without potentially destabilizing the credit unions in an entire city or state.

Underestimating Burden

NCUA provides estimates of the regulatory burden on the credit union that are much lower than the true burden at hand. MCUA does not agree that a credit union should expend only one hour to modify their agreements with CUSOs regarding the proposed reporting and accounting requirements. For a prudent credit union, any modification to a contract will require careful scrutiny and legal advice. Before moving forward, we would like to see a truer analysis of the expense, time and cost to the credit unions.

The Missouri Credit Union Association would like NCUA to conduct the Paperwork Reduction Act's analysis for CUSOs as well. The burden placed on the CUSO will directly affect the cost to the credit union. Historically, credit unions relied on interest earned from loans to cover operational costs. Given the current economic environment, this is no longer the case. CUSOs provide a collaborative mode which reduces operational costs while increasing available services. CUSO also generate income opportunities for credit unions outside the traditional model. Please insure all regulations are well tailored to accomplish the objectives and soundly based in the authority under the Federal Credit Union Act.

As always, we appreciate the opportunity to respond to NCUA's proposal to expand its authority over CUSOs. We will be happy to respond to any questions regarding these comments.

Sincerely,



Michael V. Beall, Esq.
President/CEO