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September 21, 2011

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

Via Email: regcomments@ncua.gov

Re: Proposed Amendments to the NCUA CUSO Regulations
(12 CFR Parts 712 and 741)

Dear Ms. Rupp:

TruWest Credit Union, which has served the needs of members in Maricopa/Pinal Counties, Arizona and Travis/Williamson Counties, Texas for over 50 years, appreciates the opportunity to comment on NCUA's proposed amendments to credit union service organizations (CUSOs) regulatory requirements. NCUA's proposal raises several significant concerns for CUSOs, their credit union owners, and the credit unions that are served by these organizations.

I. The Role of CUSOs in the Credit Union Movement

The cornerstone of the credit union industry is collaboration. CUSOs are an integral part of the collaborative process. They are dedicated to assisting credit unions to find operational efficiencies and provide key services, for increasingly demanding membership, which credit unions might not be able to offer. CUSOs foster innovation and allow credit unions to meet the growing needs of credit union members in an environment which also permits them to minimize risk to each individual credit union. In short, CUSO's represent a vital component to credit union competitiveness, particularly small credit unions.

II. Adequate Capital Requirements

The expansion of existing capital rules, to place state chartered credit unions on par with federally chartered credit unions seems reasonable given the risks are common to credit unions, regardless of charter type. State chartered credit unions that are less than adequately capitalized should be required to submit a request to the appropriate state regulator prior to investing in a CUSO that exceeds investment limits set by a particular state.



However, it seems redundant to require credit unions to submit the same request to their appropriate NCUA regional office. This dual approval requirement is unnecessary, inefficient and costly. Moreover, requiring state chartered credit unions to obtain NCUA approval diminishes the nature of the differing charters and the federal system as a whole. The decision should rest with the state regulator, which is certainly capable of evaluating the relative risks to both the credit union and share insurance fund.

III. NCUA Reporting Requirements /Access to CUSO records

The proposed rule would require both state and federally chartered credit unions to include in their CUSO agreements a provision that would require CUSOs to directly submit financial reports to NCUA and the State Regulator, if a state chartered credit union is involved. We are strongly opposed to this requirement. This is direct regulation of a vendor which NCUA does not have legal authority to do. Rather than seek a legislative change granting NCUA this vast authority, NCUA is attempting to back door direct vendor regulation, relying on its safety and soundness powers.

NCUA intends to collect balance sheet and income statement information, yet it is unclear what actions or steps NCUA will take after receiving this information. This adds another burdensome regulatory requirement for CUSOs. Prior to adding this burden to CUSO's, NCUA should consider requiring credit unions to include additional information in their call report submissions rather than creating a separate reporting requirement for CUSOs. Credit Unions already have the expertise and experience in filing call reports, the information credit unions provide regarding CUSOs is minimal and the "systemic risk" that NCUA seeks to identify could easily be identified by additional information reported by credit unions. Additionally, the industry should at least be given an opportunity to review the actual reporting that NCUA intends for CUSOs and provide comment before being subject to this requirement.

As justification for the proposed rule, NCUA references a single MBL CUSO as an example of the "systemic risk" NCUA seeks to identify. First, a single example hardly seems to represent "systemic risk".

Second, if this indeed does pose "systemic risk", then the proposed rule should be focused on dealing with the risk, rather than simply vastly expanding NCUA's power. The proposed rule seeks to impose broad and burdensome requirements on all CUSO's, even those currently regulated by others i.e. Securities and Exchange Commission. Does the NCUA honestly believe that it has greater expertise to identify risks inherent in non-deposit investment products than the SEC?

Third, there is no evidence that CUSOs pose a "systemic risk" to the credit union industry. All credit union assets invested in CUSOs amounts to only 22 basis points and less than 1% of total assets. The credit union had significant greater exposure to corporate credit unions and despite NCUA having more than adequate regulatory authority, the systemic risks posed by corporate credit unions were not adequately mitigated. Regulatory authority is a poor substitute for regulatory inaction.

Impact on Credit Unions

For those credit unions that are adequately capitalized and able to invest in CUSOs, this regulation will result in increased paperwork, increased investment costs, increased operational costs for CUSOs and the unintended consequence of forcing credit unions to use third party vendors, rather than CUSOs. As mentioned above, the regulation, as proposed will negatively impact the operations of existing CUSOs and hinder CUSO formation in the future, undermining the collaborative spirit of credit unions. The unintended consequence of this will be to push credit unions away from CUSOs and towards third party vendors, making identification of "systemic risk" that much more difficult.

We urge NCUA to reconsider this proposal and find ways to reduce regulatory burden. An open dialogue between NCUA, credit unions, and CUSOs should be commenced prior to finalizing this CUSO proposal. Once again, we appreciate the opportunity to comment.

Sincerely,



Daniel F. Deamond
President and CEO



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