



September 21, 2011

Via Email: regcomments@ncua.gov

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

Re: Comments to the Proposed Amendments to
NCUA Regulations re: CUSOs 12 CFR Parts 712 and 741

Dear Ms. Rupp:

Please be advised that Aspire Federal Credit Union opposes the above referenced Amendment to NCUA Regulations regarding Credit Union Service Organizations.

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 and not provide any recognizable regulatory value beyond what already exists.

Our credit union owns two CUSOs and uses the services of several others. These CUSOs provide Member Business Lending, Student Lending, Loan Risk Mitigation via Loan Participations, Loan Auditing Services, Shared Branching and ATM Services and Insurance Services for the credit union and our members. Aspire has earned and/or saved hundreds of thousands of dollars through these CUSOs. The additional income and savings have not only offset lost member fee income, but they have allowed us to subsidize the costs of member services, resulting in lower loan rates, lower fees and increased deposit rates - that we could otherwise not afford. Our members continue to benefit from our credit union's ownership and use of CUSOs.

We question NCUA's legal authority to approve the proposed regulatory changes. NCUA does not have regulatory authority over CUSOs yet this proposal requires CUSOs to provide financial information directly to NCUA which NCUA will retain and evaluate. This looks and feels like vendor authority and direct regulation of CUSOs which has not been authorized by Congress.

By imposing regulatory burdens on them, CUSOs are put at a competitive disadvantage with non-CUSO competitors. NCUA wants CUSOs to submit their **confidential** business plans, balance sheets, income statements and **confidential** customer lists. In gathering and holding

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this information, NCUA puts CUSOs in a competitive disadvantage 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 and credit unions should not have unnecessary hurdles placed in their path as they seek solutions to their sustainability.

There is no evidence that CUSOs pose a systemic risk to credit unions that requires regulatory change. The aggregate amount invested in and loaned to CUSOs is only 22 bps of industry assets. It's inconceivable that this truly can represent "systemic risk" to the industry, especially when *the total aggregate investment in and loans to CUSOs is less than this year's corporate stabilization assessment* – and lower than the assessment over each of the last three years. Further, by law a credit union's CUSO investment in CUSOs (in the aggregate) is limited to be no more than 1% of its assets. NCUA already has the ability to examine the books and records of CUSOs and exercise full leverage over the credit union owners to resolve any safety and soundness issues. NCUA cannot make the case that CUSOs had anything to do with the financial difficulties in the credit union industry.

There are many questions that need to be answered before a change such as the proposed is implemented. Some of the issues are:

- There are terms in the proposal that are in need of significant clarification. What is meant by a subsidiary?
- Does a CUSO have to have controlling interest in a company or does a 1% ownership in a company make the company a subsidiary?
- NCUA will curtail the power of credit unions with less than 6% capital to invest in CUSOs if the aggregate cash outlay to a CUSO exceeds the CUSO investment limitation on a cumulative basis. How far back does the cumulative calculation go? What if a credit union invested in a CUSO ten years ago, does that count? How do investments in other CUSOs figure in to the analysis?
- What is the procedure to obtain NCUA approval to make additional investments? What are the standards of review that NCUA will use? Is there a time period in which NCUA must respond to a request or can the request go unanswered?
- Many very successful CUSOs that drive significant savings and income to credit unions do not have a sizable capital structure or generate income. Operational CUSOs are designed to save the credit union's operating costs and not to make money. Most of these CUSOs are designed to operate on a break-even basis. Financial service CUSOs are often formed solely for marketing or license purposes and income flows from a third party vendor directly to the credit unions.
- How does NCUA expect to see the value of CUSOs to credit unions or analyze risk through a balance sheet or income statement?
- What will be the NCUA's standards of review for CUSO success?



- Does NCUA intend to shut down a CUSO that does not have a large balance sheet or income statement regardless of the positive financial or service impact the CUSO has for its credit union owners?

As you can see, this is a much more complex issue than just request certain types of information from CUSOs. We ask the NCUA to withdraw the proposed Amendment and enter into a transparent dialog with the credit union movement to discuss your concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas J. O'Shea", written in a cursive style.

Thomas J. O'Shea
President/CEO
Aspire Federal Credit Union

cc. The Honorable Debbie Matz, Chairman
The Honorable Michael Fryzel, Board Member
The Honorable Gigi Hyland, Board Member