



September 22, 2011

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

Subject: Northwest Financial LLC Comments to the Proposed Amendments to the NCUA Regulations re: CUSOs 12 CFR Parts 712 and 741

Dear Ms. Rupp:

Please be advised that Northwest Financial LLC opposes the above-referenced Amendment to the NCUA Regulations regarding CUSOs for the following reasons.

NCUA's proposed requirement for information disclosure and regulation of CUSOs will create an unnecessary burden on CUSOs, will put them in a competitive disadvantage with their non-CUSO competitors, and will place proprietary information at risk. This regulation will stifle the ability of credit unions to utilize the CUSO structure to innovate and provide collaborative solutions to benefit members, as well as the organizations themselves. In our view, this requirement would not provide any recognizable regulatory value beyond what already exists, especially for CUSOs that are regulated by other financial services regulators (e.g., SEC and insurance regulators).

Northwest Financial LLC is a wholly-owned subsidiary of Northwest Federal Credit Union, offering a comprehensive range of financial services, including wealth management, investments, insurance, tax planning, and title and escrow services through our four subsidiaries. Over 100,000 members have access to our trusted, specialized expertise that they may not otherwise be able to afford. Client relationships are viewed as a lifetime financial partnership.

Northwest Financial LLC has steadily grown Assets under Management, from \$200 million in January 2006 to nearly \$540 million at year-end 2010. Throughout our 16-year history, the CUSO has experienced consistent annual growth and our financial performance has been solid, even in difficult economic environments. CUSOs serve as a way for credit unions to innovate, meet their members' financial needs and often times do so in a shared ownership/shared risk format. There are many examples of credit unions adding significant sums, many over a million dollars a year, to net income through income generated through the CUSO relationship. In fact, Northwest Financial LLC and its subsidiaries provide between \$75,000-\$1 million annually – on average – to our credit union owner.

Aside from revenue growth, an organization is also judged by its competence in the field. Northwest Financial LLC currently has five FINRA Series 24 (General Securities Principal) licensed supervisors in our firm. This demonstrates to regulators the level of knowledge and expertise of our supervisory staff, across all our subsidiaries, and our commitment to continuing education and accreditation to keep on the forefront of industry information and trends. We are a well-managed and successful CUSO.

We are also well regulated and tested every year. Adding another layer from NCUA is, frankly, not useful. Northwest Financial LLC and its subsidiaries are subject to regularly scheduled audits and examinations from the following agencies and organizations:

- Orth, Chakler, Murnane and Company, CPAs (independent auditor)
- Financial Industry Regulatory Authority (FINRA)
- Securities and Exchange Commission (SEC)
- LPL Financial (clearing broker-dealer)
- Virginia State Corporation Commission, Bureau of Insurance
- Stewart Title (compliance with Consumer Real Estate Protection Act, Virginia Bureau of Insurance)
- Old Republic Title (compliance with Consumer Real Estate Protection Act, Virginia Bureau of Insurance)

NCUA's current approach to regulate only when there are safety and soundness concerns has served our industry well. This philosophy has afforded growth in the industry, fueled innovation to deliver new services to generations of members, and helped millions of individuals reach their lifetime financial goals. Any well-run organization believes in managing client relationships with prudence and a long-term perspective and adhering to the highest standards of ethical behavior and fiduciary responsibility. That is simply good business practice.

We at Northwest Financial LLC have serious concerns with NCUA's legal authority regarding the proposed amendment. Requiring these submissions seems excessive from an agency seeking only to monitor broad issues of purported systemic risk. NCUA will expose CUSOs to a marketplace disadvantage of huge proportions by exposing confidential business balance sheets, income statements and confidential client lists to NCUA. CUSOs are the collaborative arm of credit unions and deliver value and full financial service to members. Credit unions should not have unnecessary hurdles placed in their path as they seek solutions to their sustainability.

CUSOs help credit unions earn and save millions of dollars under the current regulatory model. 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.

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NCUA's reasons for imposing regulatory authority over all CUSOs are inadequate to justify new regulation. NCUA desires parity with banks' regulatory authority over bank operating subsidiaries, yet there is no evidence that the banks' regulatory authority over bank operating subsidiaries mitigated bank losses. NCUA cites substantial loan losses realized in a certain business lending CUSO. We do not believe a problem in one specific CUSO justifies NCUA's attempt to apply new regulatory burdens to all CUSOs, regardless of their business type. NCUA's attempt to apply a regulatory cure for a business lending CUSO to all CUSOs is ill-advised and unnecessary. Frankly, in our view, NCUA has not made a compelling case that CUSOs pose a systematic risk to credit unions that requires such a drastic and far reaching regulatory change. There has been no empirical data presented to prove that CUSOs are inefficient, performing poorly or threatening the safety and soundness of the credit union industry as a whole. Each credit union's CUSO investment risk and lending risk is less than 1% of its assets.

In addition, with the wide range of activities in which CUSOs are engaged, the amount of expertise to compile, review, monitor and evaluate the multitude of business activities of CUSOs will undoubtedly require NCUA to hire significant staff with a much expanded range of expertise than currently exists. This is an unnecessary expense that will be borne, unfortunately, by the very credit unions that may now elect not to invest in a CUSO because of this new regulatory burden and oversight.

If NCUA is to review CUSOs based solely on balance sheets and income statements, it is missing the true value that many CUSOs provide to the credit union owners and to members.

Disproportionate oversight and excessive regulations always come with unintended consequences. We believe the NCUA already has the tools necessary to evaluate and mitigate any risk using its regulatory powers over credit unions. The proposed CUSO regulation changes are unnecessary, costly and will stifle innovation that is so needed in our industry, especially during these difficult economic times.

We ask the NCUA to withdraw the proposed Amendment.

Sincerely,



Kevin D. Fisher
President and Chief Executive Officer
Northwest Financial LLC

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