September 22, 2011

Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-4328

Re: Comments on the Proposed Amendments to the NCUA Regulations on Credit Union Service Organizations (CUSOs), 12 CFR Parts 712 and 741

Dear Ms. Rupp:

Please be advised that Eaton Family Credit Union opposes the above referenced Amendments to the NCUA Regulations regarding CUSOs for the following reasons.

The 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, especially for CUSOs that are regulated by other financial services regulators (e.g., SEC and insurance regulators).

Historically the NCUA has used a balanced approach that nurtured the innovation, shared ownership/shared risk-taking, and problem solving potential of CUSOs, but recognized CUSOs could best realize their full potential to credit unions by the NCUA not treating them the same as credit unions and subject to the same level of regulatory reporting and oversight. As a result, CUSOs help credit unions earn and save millions of dollars under the current regulatory model. There is no evidence that CUSOs pose a systematic 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 is inconceivable that this truly can represent "systemic risk" to the industry. Moreover, the 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.

Our credit union uses the services of Credit Union 24, Incorporated ("CU24"). CU24 is a CUSO providing electronic funds transfer ("EFT") network and related services to its credit union owners and other participants. For shareholders of CU24, the investment per credit union is very nominal in comparison to the benefits realized from share ownership, which includes participation in patronage dividends that reduces the effective EFT costs, and rewards owners based upon the volume of business conducted with CU24. In addition, both CU24 shareholders, as well as non-shareholder participants, in CU24's EFT networks gain the benefit of economies of scale and access to nationwide networks of participating automated teller machines and point-of-sale terminals.

CU24, like many other CUSOs, competes with non-credit union owned competitors. By imposing regulatory burdens on them, CUSOs will be put at a competitive disadvantage with non-CUSO competitors. The NCUA wants CUSOs to submit their confidential business plans, balance sheets, income statements and confidential customer lists. In gathering and holding this information, the NCUA will put CUSOs in a competitive disadvantage by exposing private business secrets to public dissemination through FOIA requests.

The NCUA's legal authority to approve the proposed regulatory changes is also suspect. Congress has not granted NCUA vendor authority or the ability to regulate CUSOs directly, yet this proposal requires CUSOs to provide financial information directly to NCUA which the NCUA will retain and evaluate.

Today, credit unions are faced with tremendous challenges and need to become more efficient and lower their operating costs, find new or non-traditional sources of revenues, increase their efficiency, be creative and innovate, and apply new or emerging technologies. CUSOs, such as CU24, 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. The proposed regulations would inhibit CUSO innovation and collaboration, by replacing value and service factors with regulatory compliance and information disclosure as major considerations in deciding to invest in a CUSO. And finally, given the current economic conditions, competitive environment, and recent regulatory developments affecting payment card networks and card issuers, the NCUA's proposed revisions to the CUSO regulations could not come at a worse time.

We ask the NCUA to withdraw the proposed Amendments.

Very truly yours,

Michael Losneck
President