



September 22, 2011

Mary Rupp, Secretary of the Board
National Credit Union Administration
1175 Duke Street
Alexandria, VA 22314-3428

Email: regcomments@ncua.gov

RE: Request for comments regarding Proposed Amendments to the NCUA Regulations
Re: CUSOs 12 CFR Parts 712 and 741

Dear Ms. Rupp:

For reasons listed below, please be advised that Heartland Business Services, LLC opposes the Proposed Amendment to the NCUA Regulations regarding CUSOs 12 CFR Parts 712 and 741. Heartland Business Services is a Regional Member Business Lending CUSO assisting Missouri credit unions to safely meet the financial needs of the small businesses within their communities.

If CUSOs are required to report directly to the NCUA confidential financial information and strategic plans, the CUSOs would be put at a competitive disadvantage to all other service providers not owned by credit unions. This reporting would put the CUSO's confidential business information and plans to public dissemination through FOIA requests. The NCUA already has access to CUSO financial information through your examinations and reviews of the CUSO's credit union owners. Heartland Business Services provides our owner credit unions with quarterly financial statements and annual audited financial statements. Any safety and soundness concerns that are raised during these examinations can be addressed during the exam with the credit union and CUSO.

By design, Heartland Business Services and most CUSOs are set up to offer expertise to credit unions at minimal cost in order for the CUSO to breakeven and maintain modest capital levels. These savings are passed on by the credit unions to their small business members in the form of lower rates on their loans. Therefore, the value and viability of a CUSO should not be measured by their modest balance sheets and income statements. A true measure of a CUSOs value and viability would entail much more review and understanding than just a review of a financial statement.

With only 22 basis points of investment industry wide and up to 2% of assets per credit union being invested in CUSOs, I cannot see how the perceived risk can be greater than the expense that this proposed requirement would cost. The additional cost of this requirement to NCUA, CUSOs and credit unions would be much higher than NCUA estimates. The additional staffing by the NCUA to monitor and evaluate the reporting, the legal costs to credit unions to amend numerous CUSO agreements and the burden placed on CUSOs would far exceed NCUA's current estimates of this burden. Before moving forward, I would like to see a truer analysis of the expense that this would cost the entire credit union industry.

Under the existing regulatory framework, Heartland Business Services and many other Regional MBL CUSOs have enabled numerous credit unions to provide much needed financing to small businesses throughout the country. Without the CUSO's extensive business lending experience, many credit unions would not have the proper training and expertise to safely offer loans to their small

business members. This collaborative effort is the heart of the CUSO model and these proposed requirements and possible additional regulations would put these collaborative efforts in jeopardy.

I respectfully ask the NCUA to withdraw the proposed Amendment.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Pollihan", with a long horizontal flourish extending to the right.

Jack Pollihan
President

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