September 23, 2011

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

Re: NCUA Proposal on Credit Union Service Organizations (CUSOs): CUSOs 12 CFR Parts 712 and 741

Dear Ms. Rupp:

On behalf of GECU, the largest locally owned credit union in El Paso, Texas, this letter is in response to the request for comments regarding 12 CFR Parts 712 and 741. GECU currently serves a membership of over 300,000 with assets of $1.7 billion. GECU understands the nature of the proposal from NCUA's approach as a safety and soundness regulator to ensure the viability of credit unions. However, GECU is opposed to the proposal regarding CUSOs for the following reasons.

NCUA's information disclosure and regulation of CUSOs will stifle the ability of CUSOs to be innovative and provide collaborative solutions that will sustain credit unions. 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).

GECU would support a requirement that CUSOs make available quarterly financial statements prepared under GAAP to their credit unions, prepare an annual audit under GAAS, and that CUSOs agree with their credit unions to provide necessary information in order for the credit union to perform proper due diligence as it relates to the CUSO. We would also support an exemption or waiver process from the requirements for small CUSOs for which such requirements would impose a significant burden. NCUA's legal authority to approve the proposed regulatory changes exceeds its authority.

GECU, as stated above, is in favor of requiring the GAAS and GAAP reports be provided by CUSOs directly to their credit union for evaluation and continued monitoring of CUSO activities and is opposed to the regulatory consideration of conditioning federal share insurance to require their CUSOs to provide GAAS and GAAP reports. 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.

GECU supports the decision to require federally insured state-chartered credit unions (FISCUs) which are less than adequately capitalized to seek supervisory approval before making investments in a CUSO as federal credit unions (FCUs) are subject to supervisory approval. This will provide parity amongst FCUs and FISCUs.

While GECU is opposed to several sections of the proposal, GECU is however, in favor of state supervisory authorities (SSAs) obtaining exemptions for FISCUs from compliance with §712.3(d).

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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 which requires regulatory change.

Many very successful CUSOs that drive significant savings and income to credit unions do not have a sizable capital structure or generate income. GECU owns and utilizes several CUSOs. Our primary CUSO is designed to fulfill the philosophy of the credit union movement. The CUSO helps underserved members who normally would not be able to meet the criterion of home purchasing via credit counseling, federal grants, financial literacy classes and other such programs.

Operational CUSOs are designed to save the credit union's operating costs and not to make money. 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.

If NCUA is to review CUSOs based solely on balance sheets and income statements, the following questions must be answered:

- With this provision and its desired outcome, 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?
- How will SSAs be able to obtain exemptions for their FISCUs and how long will the exemptions last?
- 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?
- How does NCUA expect to see the value of CUSOs to credit unions or analyze risk solely 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?

We ask that NCUA withdraw the proposed amendment or consider revising the amendment with the proposals outlined in our letter. We appreciate the opportunity to comment on the proposal. If you have questions regarding our comments, please contact me at (915) 774-8200.

Sincerely,

Harriet May
President/CEO

HM:dp