



September 23, 2011

Via e-mail

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

Ref: Comments on NCUA CUSO Rule - 12 CFR Parts 712 and 741

Dear Ms. Rupp:

Thank you for the opportunity to provide our comments on the proposed rule to amend the NCUA regulations on CUSO's. By way of background, Coastal FCU is a \$2 billion credit union based in Raleigh NC. Coastal has been involved in CUSO's for many years and believes they are a vital tool for facilitating collaboration among credit unions, and for delivering services to members that fall outside of the incidental powers rules.

Coastal's current involvement in CUSO's is as follows:

1. Majority Owned CUSO's

- A. Coastal Federal Financial Group, LLC (CFFG) – 100% owned by Coastal. This CUSO does not have any operating lines of business, but is used as a tool by Coastal to make and manage investments in other CUSO's.
- B. Coastal Title Insurance Company, LLC – 80% owned by CFFG; 20% by Surety Land Title. This CUSO provides real estate title insurance, primarily to borrowers who obtain real estate loans through Coastal.
- C. Daymark Realty, LLC – 100% owned by CFFG. Provides residential real estate brokerage services to Coastal's members.

2. Minority Ownership

- A. Members Trust Company – Coastal owns \$1,000,000 in common stock. Coastal's Wealth Management division uses Members Trust to provide trust services to Coastal's members.
- B. CO-OP Network – Coastal purchased a \$25,000 equity stake, and receives additional equity each year as part of CO-OP's patronage dividend program. Coastal processes all ATM and debit card transactions through CO-OP.

- C. Carolina Credit Union Services (Shared Branching) – Coastal has a \$250,000 investment in this state level CUSO that provides access to shared branching networks to credit unions in NC.
- D. UGenius CUSO, LLC (Personal Teller Machine Technology) – Approximately 12% owned by CFFG. CFFG has invested \$750,000 in this CUSO plus received a 5% ownership stake for Coastal's contributions to the development of the uGenius Personal Teller/Video Banking system. uGenius provides video banking technology to the credit union industry, and to the banking industry through another company.
- E. Members Development Corporation (Research & Development) – Coastal has a \$30,000 equity stake in this industry research and development company.
- F. Credit Union Direct Corporation - Coastal owns \$700,000 in common stock. The CUSO is a credit union owned lending portal for credit union members to access credit union loans at the point of sale for automobiles and other products or services.

Coastal's comments on the proposed rule are as follows:

1. Generally, we do not believe that additional regulation of CUSO's is necessary. While there has been one significant CUSO failure, CUSO's do not represent a meaningful risk to the industry, but do provide significant operational and cost benefits to credit unions, and do provide many valuable services to credit union members that would otherwise be unavailable through their credit union.
2. We don't object to the NCUA's desire to better track and monitor the existence of CUSO's, which is already accomplished through credit union call reports, at least for FCU's. And we don't object to the annual reporting of basic financial, capitalization and earnings information on each CUSO to the NCUA. With respect to the proposed reporting requirements, there should be a short-form, summary reporting mechanism for small, majority-owned CUSO's.
3. NCUA's scrutiny and rulemaking related to oversight of CUSO's should be focused on those CUSO's, that because of their size, breadth of their customer base and nature of business, pose meaningful risks to the industry and/or the share insurance fund. Significant resources and reporting requirements should not be imposed on small CUSO's that do not pose such risks.
4. The rules should distinguish between CUSO's that are majority owned by no more than one credit union, and CUSO's that are owned by multiple credit unions. The rules should exempt majority owned CUSO's below a certain asset, revenue or % of credit unions Net Worth levels from onerous reporting or oversight rules.

5. The rules should also distinguish between "retail" CUSO's whose customers are individuals and "institutional" CUSO's whose customers are credit unions and/or businesses. Retail CUSO's should not be required to submit customer lists to the NCUA which would include non-public personal information.

6. We are concerned that the proposed rules will create regulatory burdens on CUSO's that do not exist for private, third-party vendors with whom CUSO's compete. This may have the effect of stifling the collaboration and innovation that is so vital to the future success of credit unions.

7. The additional costs of the proposed CUSO rule in staffing and operational budget of NCUA is an unjustified and unnecessary expense that credit unions will have to bear.

8. Many CUSO's don't have impressive balance sheets or income statements yet they provide impressive value in collaboration, expense savings and innovation without risks to the credit unions that own them.

Coastal Federal Credit Union urges the NCUA Board to reconsider implementing this proposed rule.

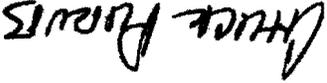
Again, we thank you for the opportunity to share our thoughts on these proposed rules.

Respectfully submitted,



Larry Wilson  
President/CEO

Chuck Purvis  
Executive Vice President/COO



The Honorable Debbie Matz  
The Honorable Gigi Hyland  
The Honorable Michael Fryzel