



September 23, 2011

Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
Email: regcomments@ncua.gov

Re: Comments to the Proposed
Amendments to the NCUA Regulations
re: CUSOs 12 CFR Parts 712 and 741

Dear Ms. Rupp:

Please be advised that as a Credit Union and CUSO owner (CU Alliance, LLC) I oppose the above referenced Amendment to the NCUA Regulations regarding CUSOs for the following reasons.

NCUA's information disclosure and regulation of CUSOs will stifle the ability of our CUSO to innovate and provide collaborative solutions as we have done in the past on the much needed services the CUSO provides to us and to our members. Mortgage and Insurance regulators have already exercised the highest level of regulatory oversight over the CUSO. This has already placed a burden on our resources and ability to collaborate.

The CUSO provides services such as Indirect Lending, Auto Liquidation, marketing support and Mortgage Operations to and to other Credit Union Owners and Subscribers. We estimate that the CUSO has returned over 100% on our capital investment since the CUSO's inception.

By imposing regulatory burdens on them, CUSO's are put at a competitive disadvantage with non-CUSO competitors. NCUA wants CUSO's to submit their confidential business plans, balance sheets, income statements and confidential customer lists. In gathering and holding this information, NCUA puts CUSO's in a competitive disadvantage by exposing private business secrets to public dissemination through FOIA requests. CUSO's 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.

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CUSO's help credit unions earn and save millions of dollars under the current regulatory model. There is no evidence that CUSO's pose a systematic risk to credit unions that require regulatory change. The aggregate amount invested in and loaned to CUSO's is only 22 bps of industry assets. It's inconceivable that this truly can represent "systemic risk" to the industry, especially when the total aggregate investment in and loans to CUSOs is considerably less than the annual corporate stabilization assessments in any of the last three years. Our credit union's CUSO investment risk is less than 1% of assets. NCUA already has the ability to examine the books and records of CUSO's and exercise full leverage over the credit union owners to resolve any safety and soundness issues. NCUA cannot make the case that CUSO's had anything to do with the financial difficulties in the credit union industry.

NCUA's two reasons for imposing regulatory authority over all CUSO's 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 in the economic crisis. NCUA cites substantial loan losses realized in a certain business lending CUSO. Even if CUSO's that make business loans pose a risk that need addressing, NCUA's attempt to apply a regulatory cure for a business lending CUSO to all CUSO's is misguided when business lending CUSO's are estimated to constitute less than 1% of total CUSO's.

The additional costs of the proposed CUSO rule in staffing and operational budget of NCUA is an unjustified and unnecessary expense the industry will have to bear. If NCUA expects to hire experts in every type of business CUSO's engage in, the costs will be staggering.

There are terms in the proposal that are in need of significant clarification. 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 CUSO's 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 CUSO's 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?

Many very successful CUSO's that drive significant savings and income to credit unions do not have a sizable capital structure or generate income. Operational CUSO's are designed to save the credit union's operating costs and not to make money. Financial service CUSO's 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, there are questions that must be answered. How does NCUA expect to see the value of CUSO's 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 the NCUA to withdraw the proposed Amendment.

Very truly yours, (

A handwritten signature in black ink, appearing to read "Annette Zimmerman", with a large, sweeping flourish extending to the right.

Annette Zimmerman
PrimeWay Federal Credit Union
President and CEO