Metrum Community Credit Union

6980 S. Holly Circle
Centennial, Colorado 80112
Phone 303-770-4468
Fax 303-770-4883
www.metrumcu.org

September 23, 2011

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

Re: Proposed Amendments to the NCUA CUSO Regulations (12 CFR Parts 712 and 741)

Dear Ms. Rupp:

Metrum Community Credit Union appreciates the opportunity to comment on NCUA's proposal to amend its existing regulatory requirements affecting credit union service organizations. Our credit union is located in Centennial, Colorado with assets of $49 million and just under 5,000 members.

I am certain the NCUA's believes that additional oversight is needed due to a loss or losses that have occurred and now the reactive approach to eliminate systemic risk from CUSO operations is required. Within this response, I am planning on explaining the types of CUSO's we are invested in and how this assists us in lowering operational costs and increasing our expertise. I will leave it up to others to explain, topic by topic, why or why not the additional scrutiny is needed.

Metrum is an owner in four CUSO's two of which provided a service (HR/payroll, vendor management); one of which provides a processing platform (COOP) and the last is an indirect lending platform.

The first two CUSO's were developed, by a few credit unions, to reduce operating costs and improve our expertise. These CUSO operations already are burdened with the costs of an opinion audit and other associated regulatory costs. The opinion audit is between five to 10 percent of the total revenue brought into these organizations and the NCUA feels additional costs should be added. These two organizations are set up to break even and during these past three years, this has not been accomplished. Additional costs to these CUSO's may be just enough to eliminate them.

The largest CUSO is COOP and they provide our debit card process platform. Our credit union receives an outstanding product, the highest level of risk/fraud protection, and pricing which allows us the ability to compete. This CUSO is a model for other cooperatives, one of which profits are made and patronage dividends distributed back to the users.

Our fourth CUSO is an indirect lending platform, which allows us to compete at the dealership for our members car purchases, without it we would do very little volume from dealerships. There is risk and there is disagreement within the owners as to how the program should be run, loan to values and such. These loans are placed on the books of our institution, for the exam staffs review. The action should not be that additional regulation is warranted of CUSO's – the question should be ask how or why the exam staff would not be able to administer these types of CUSO's at the credit union level.

The largest of CUSO's may not have any issues comply with additional regulation, but the majority of smaller CUSO's will. The heart of the issue is credit unions are built on the platform of working together, sharing information, as together we will survive and potentially thrive. The role of the regulator should be one where risk is controlled, not eliminated. The elimination of CUSO's due to over regulation and increased costs does not allow for the regulated to improve service to our memberships.

The credit union industry is over regulated, period. Examiners review areas that produce little to no risk to the share insurance fund and then have less time to review the items which produce failures - loans. The job of the modern day examiner is difficult at best, if not impossible as the endless checklists of compliance takes away from reviewing the business model of the institution. It is the business model that produces 99% of the losses to the share insurance fund.

The NCUA has shown difficulties in examining the financials of organizations it has regulated for decades, the investments within the Corporate industry to the loans placed on the books from a CUSO's. The question has to be asked is where will the expertise be developed to exam financial reports from many different types of industries and at what cost?

Increased regulations equal increased costs! Has a ten-year study been complete on the costs to implement this regulation? If credit unions increase their costs this leaves less money to our bottom lines, which is the first defense against losses. And the NCUA will increase their costs to implement the additional regulation. Over a ten-year period the costs to the credit unions and the NCUA may be five to ten times the actual losses to the insurance fund from a few bad CUSO's. Herein lies the problem, the NCUA does not do this type of analysis. Why?

Please relook at the additional regulation, the burden may or may not benefit the industry, which includes the NCUA. This proposal is detrimental to credit unions, their members and credit union service organizations. We urge you to reconsider. Thank you again for the opportunity to comment.

Sincerely,

Steve E. Kelly