September 25, 2011

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

Re: Mountain America Federal Credit Union -
Comments to the Proposed Amendments to the NCUA
Regulations re: CUSO 12 CFR Parts 712 and 741

Dear Secretary Rupp:

Mountain America Financial Services, LLC (MAFS) is a wholly owned CUSO subsidiary of Mountain America Federal Credit Union (MAFCU). MAFS's primary purpose is to strengthen our parent credit union and other credit unions throughout the industry by creating, building or buying valuable and innovative solutions and products. Over the years, MAFS has executed innovative business plans that have proven to dramatically increase net income, improve operational efficiency and enhance member relations for both MAFCU and other financial institutions and businesses within our community.

In many cases, the CUSO has been a source for innovation. Many products and best practices have been developed in the CUSO and implemented within the credit union industry. The overall value of these innovations and direct member services has a substantial impact for credit unions. In the case of MAFS and MAFCU, millions of both hard and soft dollars are generated each year. In 2010, MAFS paid over 6 million dollars to MAFCU in the form of dividends, fees and year end net income.

The purpose of this comment letter is to express our deep concerns and disapproval of the NCUA's proposed revisions to the CUSO Regulation (12 CFR Parts 712 and 741) which are the first steps toward full regulation of CUSOs. Below is a list (in no particular order) of problems, concerns and inconsistencies found in the proposed amendments to the NCUA Regulations that both MAFS and MAFCU feel need to be addressed before any real regulatory changes are adopted.

- Competitive Disadvantage

  CUSOs will be put at a competitive disadvantage with non-CUSO competitors if the NCUA imposes regulatory authority over all CUSO activities. The NCUA will require CUSOs to submit their business plans, balance sheets, income statements and customer lists thus exposing confidential business practices and innovative trade secrets for public dissemination through FOIA requests.

- NCUA's Legal Authority

  The NCUA does not have regulatory authority over CUSOs; however, the proposal requires CUSOs to provide financial information directly to the NCUA, which requires vendor authority and direct regulation of CUSOs which has not been authorized by Congress. This is a regulatory inconsistency that makes this proposal look and feel like direct regulation of CUSOs.

- Impact of The NCUA Obtaining Regulatory Authority of CUSOs

  It is our opinion that if the NCUA burdens CUSOs with regulatory oversight, it will inhibit CUSOs from providing the same level of innovation and collaboration across the industry. In such cases, credit unions will begin to replace or overlook the overall value of the opportunities to invest or collaborate with other CUSOs due to unwarranted regulatory considerations.

- The NCUA Has Not Adequately Justified the Need to Regulate CUSOs

  a.) The NCUA has yet to prove any correlation between CUSOs and the financial difficulties of the credit union industry.

  b.) Even if all the money (22 bps of industry assets) invested in and loaned to CUSOs by credit unions nationwide were to become a complete loss in a single year; the loss would still be considerably less than the annual corporate stabilization assessments levied by the NCUIF during any of the last three years. Therefore, it is not logical that the CUSO industry could represent in any way a "systemic risk" to the credit union industry. For this reason, the NCUA's proposal to achieve regulatory authority is unwarranted. The sheer cost to credit unions to have their own regulator hire the staff needed to effectively regulate CUSOs becomes a "double hit" to the credit union industry. First, CUSOs will become severely limited, thus creating substantially less value to credit unions. Secondly, credit unions will have to pay for the increased cost to the NCUA in acquiring the resources for the NCUA to effectively oversee their new regulatory authority.

  c.) The NCUA already has the ability to examine the books and records of CUSOs and apply full leverage on credit union owners to mitigate any risk related to those activities. A congressionally approved extension of this authority appears unwarranted and unnecessary given the total value of assets "at risk" within CUSO activities.

- The Proposal Appears to Not Understand or Address the Complete Scope of CUSO Operations

  The proposal appears to be focused on ensuring CUSOs are financially sound and do not pose substantial risk to the credit union owners. Many CUSOs are designed to perform operational and administrative functions that are not designed to generate income. Many of these CUSOs are designed to save credit union operating costs or act as Financial Service CUSOs for marketing or licensing purposes and to help credit unions benefit from income flows originating from third party vendors back to the credit union. Reviewing CUSOs based solely on balance sheets and income statements will not adequately reflect the value of these CUSOs to the credit union.

Given the overall value provided back to MAFCU by MAFS; we cannot support the proposed amendments to the proposed NCUA regulations. The overall risk most CUSOs pose to their owner credit unions is far too small to grant the NCUA the authority to regulate vendors. In addition, the steps being proposed by the NCUA are far too big in comparison to the actual value of the CUSO industry (less than 22 bps % of total assets).

MAFCU and MAFS recognize the need of the NCUA to identify and mitigate the numerous risks facing credit unions in these challenging times, however it is very discouraging to see the NCUA recommend such a costly and drastic approach to extend its authority to regulate such a small risk that has in no way been tied to the recent financial troubles facing financial institutions.

We recommend the NCUA take a much more moderate approach before any action is taken. A complete and thorough study of the intended and unintended consequences should be analyzed along with a formal dialogue between CUSO owners and trade associations to ensure a complete understanding of the CUSO structure and industry concerns. As is, we respectfully ask that the NCUA withdraw this proposal in favor of a more prudent and consistent approach to understanding the potential risks and seeking a measured response.

Thank you for the opportunity to comment.

Sincerely,

Marshall Paepke

Marshall Paepke
Executive Vice President,
Mountain America Federal Credit Union

President,
Mountain America Financial Services

Cc. The Honorable Debbie Matz, Chairman
The Honorable Michael Fryzel, Board Member
The Honorable Gigi Hyland, Board Member