

Filed via Email to: regcomments@ncua.gov

September 26, 2011

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

RE: TCUL's Comments on NCUA's Notice of Proposed Rulemaking (CUSO)

Dear Ms. Rupp:

This comment letter represents the views of the Texas Credit Union League (TCUL) regarding the National Credit Union Administration (NCUA) Board's proposal to amend 12 C.F.R. Parts 712 and 741, its credit union service organization (CUSO) regulations. TCUL is the official trade association serving over 500 federal and state credit unions and more than 7.4 million credit union members in Texas. TCUL appreciates the opportunity to comment on this very important issue.

In general, TCUL opposes the proposal as issued for comments and urges the Board to withdraw or revise it substantially. Any proposed changes to the regulations being considered should be narrowly targeted to address demonstrated problem areas. One major concern with the proposal is that it does not provide any data analysis regarding current problems that "might" warrant changes. Therefore, we do not believe sufficient evidence exists to amend the current rule. In addition, we believe that proposal is an overly broad attempt by the Board to regulate CUSOs, which in our opinion is beyond its authority granted by Congress.

Credit unions do not blindly jump into CUSOs. Federally insured credit unions are required to comply with due diligence responsibilities including performing an adequate review and assessing risks before becoming involved in a CUSO. Continuing due diligence requirements include on-going reviews to ensure the CUSO's effectiveness, and to ensure the CUSO does not present undue risk.

Despite a small number of CUSOs that have experienced issues recently, we do not believe that CUSOs in general pose a systemic risk to the credit union system or the National Credit Union Share Insurance Fund. Regarding recent issues where problems may have arisen, the Board should focus time and resources on educating credit unions about particular problems and associated risks to ensure due diligence rather than adopting the proposal.

The Federal Credit Union Act specifically authorizes credit unions to invest in CUSOs, but it does not authorize NCUA to regulate or examine CUSOs. Therefore, we believe the proposal's requirement for

CUSOs to provide NCUA access to books and records and reporting requirements is simply beyond the authority of the Board. The proposal's required information disclosure and attempt at regulation will unduly stifle the ability of CUSOs to operate, compete, and assist at sustaining the credit union and serving credit union members.

Although TCUL opposes provisions seeking to increase NCUA's authority to oversee CUSOs through direct reporting, we do favor enhanced transparency from CUSOs to participating credit unions, so that those credit unions may adequately perform due diligence. However, we are concerned that detailed or complicated requirements could be significantly burdensome on smaller CUSOs. Therefore, it seems reasonable to exempt smaller CUSOs from the requirement to use a CPA to prepare reports.

Additionally, we do support the ability of state regulators to seek an exemption from provisions of the rule.

In sum, TCUL generally opposes the CUSO proposal and respectfully asks the Board to withdraw it. If you have any questions or would like to discuss, please do not hesitate to contact me at 512-853-8516.

Sincerely,



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