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September 14, 2011

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

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

Dear Ms. Rupp:

Please be advised Tradesmen Community Credit Union opposes the above referenced amendment to the NCUA Regulations regarding Credit Unions Service Organizations (CUSOs).

There are countless examples of how CUSOs have been instrumental to the credit union industry's ability to enhance the financial well being of members. We are concerned that the proposed amendment will greatly inhibit our ability to continue to create and access these solutions.

In particular, we point to our involvement with TMG Financial Services (TMGFS), a third-party agent issuer who owns and manages numerous credit union credit card portfolios. As a CUSO, we know TMGFS has developed a product that puts credit union members first. One of the ways they have funded portfolio purchases is through the innovative Collateralized Advance Program. Our participation in CAP has allowed us to earn an above-market yield while having the protection of a loan backed by a high-quality asset pool. In addition, last year TMGFS paid more than \$4.5 million in interest to credit unions. With the current rate environment, this has been an important outlet of funds for many credit unions including Tradesmen CCU.

But, we wonder whether we would have access to programs like the ones TMG Financial Services offers if the proposed amendment was already in effect?

It's not that we don't understand the need for oversight, but that it is already inherent in any transaction with a CUSO. Each time a credit union loans, participates or invests in a CUSO, NCUA has the authority to provide oversight to the transaction. It is our understanding that through this process NCUA has access to comprehensive information - enough to work with the credit union to ensure the transactions meet safety and soundness standards. However, if the new amendment suppresses the industry's ability to collaborate and partner through CUSOs to provide industry products, where do we turn? Do we turn to solutions that provide other products and services in direct competition with our own?

We also express concern about NCUA's plan to provide adequate oversight. All CUSOs are not created equal. Looking across the credit union landscape, we see CUSOs of all sizes and focuses. We cannot imagine a scenario where NCUA could ever have the resources to adequately provide informed oversight over such a diverse group of businesses as are represented in CUSOs today.

In addition, we question how NCUA plans to address the costs associated with hiring and training specialized regulators. In an era where all businesses are focused on running as lean as possible, the additional costs of the proposed CUSO rule in staffing and operational budget of NCUA is an unjustified and unnecessary expense for the industry. If NCUA expects to hire experts in every type of business CUSOs engage in, the costs will be staggering.

We do understand this amendment has its roots in recent industry events, but we believe it is not the solution necessary. The long-term ramifications outstrip any short-term benefits, and frankly, we cannot see any. We do not dismiss the severity of the problems that arose in various places in the country during the past few years, but it is our belief there is not a larger problem. Most certainly, any concerns should not rise to the level of a systemic risk for the credit union industry.

We ask the NCUA to withdraw the proposed amendment.

Sincerely,

  
Rachel A. Ballenger  
President/CEO

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