GWINNETT FEDERAL CREDIT UNION
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September 20, 2011

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

Re: Comments to the Proposed Amendments to the NCUA Regulations regarding Credit Union Service Organizations ("CUSO's") 12 CFR Parts 712 and 741

Dear Ms. Rupp:

A Proposed Amendment referenced above would expand the requirement that credit unions investing in or lending to CUSOs must agree to allow NCUA to examine the books and records of the CUSO. The proposal would impose obligations directly on all CUSOs that credit unions lend to or invest in to prepare quarterly financial statements, to obtain an annual audit, and to provide an annual report to NCUA and state regulators, as appropriate, all in conformance with generally accepted accounting principles (GAAP) or generally accepted auditing standards (GAAS). We write in opposition to this proposed amendment.

This proposed amendment is an unreasonable and unnecessary expansion of regulatory and administrative authority of the NCUA that we do not believe is supported by the statute. Further, the reasons provided by the staff in support of the proposed amendment do not justify this expansion. The limitations on investment in the CUSO's themselves are reasonable and inherently limit the exposure of a credit union to the risks of the CUSO's.

The current obligation of CUSO's to make their books and records available to the NCUA have a similar effect as requiring the CUSO to send reports to the NCUA and state regulatory authority. BUT it increases the cost of doing so exponentially. Under this proposal the cost of doing business for the CUSO is increased only because a regulator, the NCUA, wants the forms delivered to it. It adds nothing of regulatory value.

The other Proposed Amendments that would cause state charted credit unions to lose their National Credit Union Share Insurance Fund (NCUSIF) if their CUSO's do not provide financial documents the state regulatory authority is not well reasoned. Already the regulations require all credit unions to have contractual commitments with CUSO's that all books and records are made available to all state regulators. In this proposal the NCUA appears to be punitive and not substantively advancing the safety and soundness mandate.

Should the NCUA adopt these provisions despite the cost and lack of benefit to all but the accounting profession and overnight courier companies, we would urge the NCUA to also adopt the exemptions proposed for this regulation.

The Proposed Amendments requiring that CUSO's that invest in CUSO's would have to meet certain reporting requirements is again outside the scope of the enacting statute and likely without legal basis. CUSO's are outreach efforts of the credit union movement and often offer innovation as a means to serve the members. The oversight now sought by the NCUA is likely to thwart the very innovation, service and economic activity that our current economy needs. The failed risk taking of the banking industry, i.e. the sins of our brothers, are not sufficient reason to impose undue and likely unlawful regulations now. We urge such rule not be adopted.

Lastly, the Proposed Amendment relating to undercapitalized credit unions and its limitation on investment seems redundant to current regulations and likely unnecessary. But to the extent it furthers the safety and soundness policy of the NCUA, we support the concept.

Sincerely,

R. Marshall Boutwell
President/CEO