Community Business Lenders
Building Stronger Communities One Business At A Time

January 24, 2011

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

Re: Comment to the Proposed Corporate Credit Union Rule

Dear Ms. Rupp:

I appreciate the opportunity to comment on the National Credit Union Administration's (NCUA) proposed changes to Regulation 704, the Corporate Credit Union Rule. Community Business Lenders (CBL) is a member business lending CUSO located in Des Moines, Iowa. At present, CBL services more than 70 credit unions with $130 million in loans and commitments outstanding. CBL has significant concern with some of the provisions of the proposed Corporate Credit Union Rule. CUSOs play a vital role in the success of America's credit unions. In order to survive in today's economic and regulatory climate, credit unions need to find additional revenue streams and reduce operating expenses. CUSOs provide opportunities for credit unions to earn income from diverse revenue streams. To take CBL as an example, we have provided out partner credit unions with more than $25 million of interest income since our inception in 2005. If the credit union industry is to survive and thrive again, the role of collaboration and CUSOs must increase.

We are very concerned with the requirement, under proposed Part 704.21, that a CUSO using the services of a corporate credit union must pay a "voluntary" payment to the TCCUSF. CUSOs are not disinterested third party providers. CUSOs are the collaborative extensions of the credit union owners and users. Assessing CUSOs would be a double assessment against the federally insured credit union owners, which will result in the unintended consequence of CUSOs turning to financial institutions outside of the corporate credit union network for their depository and liquidity needs. This mass exodus of funds from the corporate credit union network will be more detrimental to the industry than would be the effect of foregoing voluntary payments from CUSOs.

We understand the NCUA's interest in shortening the period required for the NCUSIF to repay the US Treasury for the corporate stabilization expenses and we share that interest. Likewise, we recognize that the NCUA has long felt that the NCUSIF could potentially be compelled to bail out non-federally insured credit unions if they fail because allowing them to fail

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could pose a risk to the industry confidence. However, there is no expectation that the NCUA would bail out a failing CUSO or that the failure would cause an industry confidence risk. Servicing the financial needs of CUSOs is not a systemic risk to the corporate credit unions. Thus, there is little, if any, compelling reason to include CUSOs in this "voluntary" assessment.

The ability of credit unions to invest in innovative new CUSOs is already being adversely impacted by ongoing corporate stabilization assessments which restrict available investment dollars at natural person credit unions. An indirect second assessment on the credit unions that have ownership interests in CUSOs would seem to go well beyond the "fair share" stated purpose of this provision and will undoubtedly result in some stifling of collaborative innovation. Every CUSO relationship that a credit union has will subject that credit union owner to an additional assessment if the CUSO uses the services of a corporate credit union. For that reason alone, we have great concerns over the unintended consequences of this proposal. When coupled with the fact that there is currently no statutory authority for the direct regulation of CUSOs by the NCUA, we strongly feel that this provision goes well beyond the bounds of appropriate and authorized regulation – at least as it relates to CUSOs.

Therefore, we ask that either this "voluntary assessment" provision be removed in its entirety or that CUSOs be excluded from this provision.

Thank you for the opportunity to comment. I can be reached at (515) 221-6111 should you have any questions.

Very truly yours,

Mark Kilian