August 6, 2011

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

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

Dear Ms. Rupp:

Please be advised that Veridian Credit Union and its wholly owned CUSO, The Veridian Group, Inc., opposes the above referenced Amendment to the NCUA Regulations regarding CUSOs for the following reasons.

NCUA's information disclosure and regulation of CUSOs will stifle the ability of CUSOs to innovate and provide collaborative solutions that will help sustain credit unions, will add costly and redundant compliance and reporting requirements and not provide any recognizable regulatory value beyond what already exists, especially for CUSOs that are regulated by other financial services regulators (e.g., SEC and insurance regulators).

Our credit union owns in partnership and uses the services of Members Insurance Services, LLC, a CUSO that provides personal lines property and casualty insurance to our members. We have offered this through our CUSO since 1990. We estimate that our credit union has earned over $250,000 from the CUSO's services.

Our wholly owned CUSO is in collaboration with and part owner of five other CUSOs that serve over 100 credit unions and thousands of credit union members on a daily basis. These five companies save our and other credit unions money by consolidating services, add to our bottom line by providing additional income and most importantly, save our members money by offering better products and service at lower cost—all things we could not attain without the work of the CUSO.

By imposing regulatory burdens on CUSOs, you are putting them at a competitive disadvantage with non-CUSO competitors. NCUA wants CUSOs to submit their confidential business plans, balance sheets, income statements and confidential customer lists. In gathering and holding this information, NCUA puts CUSOs in a competitive disadvantage by exposing private business secrets to public dissemination through FOIA requests. CUSOs are the collaborative arm of credit unions trying to solve operational and financial issues for credit unions and credit unions should not have unnecessary hurdles placed in their path as they seek solutions to their sustainability.

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CUSOs help credit unions earn and save millions of dollars under the current regulatory model. There is no evidence that CUSOs pose a systematic risk to credit unions that requires regulatory change. The aggregate amount invested in and loaned to CUSOs is only 22 bps of industry assets. Our current amount invested is only 12 bps of our total assets. It's inconceivable that this truly can represent "systemic risk" to our credit union or the industry, especially when the total aggregate investment in and loans to CUSOs is considerably less than the annual corporate stabilization assessments in any of the last three years. Each credit union's CUSO investment risk is less than 1% of its assets. NCUA already has the ability to examine the books and records of CUSOs and exercise full leverage over the credit union owners to resolve any safety and soundness issues. NCUA cannot make the case that CUSOs had anything to do with the financial difficulties in the credit union industry.

What is the procedure to obtain NCUA approval to make additional investments? What are the standards of review that NCUA will use? Is there a time period in which NCUA must respond to a request or can the request go unanswered? I have found most CUSO's are very innovative and entrepreneurial. Do you have the same skill sets at the NCUA to get involved in the evaluation of a startup company even though it is called a CUSO? The additional costs of the proposed CUSO rule in staffing and operational budget of NCUA is an unjustified and unnecessary expense the industry will have to bear. If NCUA expects to hire experts in every type of business CUSOs engage in, the costs will be staggering.

Many very successful CUSOs that drive significant savings and income to credit unions do not have a sizable capital structure or generate income. Operational CUSOs are designed to save the credit union's operating costs and not to make money. Financial service CUSOs are often formed solely for marketing or license purposes and income flows from a third party vendor directly to the credit unions. If NCUA is to review CUSOs based solely on balance sheets and income statements, there are questions that must be answered. How does NCUA expect to see the value of CUSOs to credit unions or analyze risk solely through a balance sheet or income statement? What will be the NCUA's standards of review for CUSO success? Does NCUA intend to shut down a CUSO that does not have a large balance sheet or income statement regardless of the positive financial or service impact the CUSO has for its credit union owners?

We ask the NCUA to withdraw the proposed Amendment.

Very truly yours,

Joe Garcia
Board of Directors, The Veridian Group, Inc.

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