



August 8, 2011

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

**Re: Proposed Amendments to NCUA Rules and Regulations Parts 712 and 741 for Credit Union Service Organizations**

Dear Ms. Rupp,

On behalf of the board and management of Randolph-Brooks Federal Credit Union, we appreciate this opportunity to provide our comments on the agency's proposed changes to Parts 712 and 741 of NCUA Rules and Regulations.

In general, we do not agree with the proposed changes. The NCUA has not presented a sufficient case warranting this added regulation, nor do we believe such a case exists.

We have three general concerns:

- More regulation of credit union service organizations (CUSOs) will negatively impact a credit union's/CUSO's willingness (and ability) to innovate and provide solution for credit union members, as regulatory consideration might override value considerations.
- We do not believe that these proposed changes will provide any regulatory value beyond what already exists.
- The NCUA's legal authority for these changes is questionable, as direct regulation of CUSOs has not been authorized by Congress.

Some of our specific concerns include:

- The aggregate amount invested in CUSOs is insignificant compared to the total industry assets, as evidenced by the existing regulation's limitation on investment risk to less than 1% of a credit union's assets. Therefore, it is difficult for us to see that there is any existing significant systemic risk to the industry. We acknowledge that there have been a few specific cases of problems with certain business lending CUSOs, but the NCUA cannot make a valid case that CUSO operations helped cause the recent difficulties in the industry at large.

- Even if certain CUSOs pose an undue risk that needs to be addressed, NUCA's attempt to apply a regulatory cure to all CUSOs is simply uncalled for when these problem CUSOs have constituted less than 1% of all CUSOs.
- NCUA's proposal to expand its ability to examine the records of CUSOs is unwarranted. It already has examination authority and the ability to exercise leverage over credit union management to address safety and soundness issues.
- The added cost to the industry for additional regulation, reporting to the NCUA, and external audits is unjustified and unnecessary.

There are a few items in the proposal that need clarification:

- What is meant by "subsidiary" and "subsidiary CUSO"? For example, do these include any investment ownership, whether it is 1% or 100%? This becomes important in determining which owner is responsible for the primary oversight and control of the CUSO.
- The proposal would limit the ability of credit unions with less than 6% capital to invest in CUSOs if the aggregate cash outlay to a CUSO exceeds the CUSO investment limit on a cumulative basis. How far back does the cumulative calculation go? What exactly is meant by "cumulative"?
- There are some CUSOs that are considered to be successful solely because they drive significant business to, and income for, the credit union affiliate, but do not have a sizeable capital structure or generate much net income. If the NCUA is to review CUSOs based solely on their financial statements, then:
  - How will the NCUA determine the value of such CUSOs or analyze risk?
  - What will be the NCUA's standards for determining CUSO success?

Thank you for the opportunity to comment on this proposal. We recognize the importance of these issues and appreciate the chance to contribute our thoughts during the rulemaking process. On behalf of Randolph-Brooks Federal Credit Union, please contact me if I can be a source of further information or of assistance to the agency in any way on this matter.

Sincerely,



Randy M. Smith  
President and CEO

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