



CU HOLDING  
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August 10, 2011

Mary Rupp, Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexander, VA 22314-3428  
Email: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

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

Dear Ms. Rupp:

It is very disappointing to me, as the controller of a CUSO which prides itself on proactively extending the spirit of collaboration between credit unions and providing the industry creative opportunities to generate net income crucial for their survival in today's economic environment, to see a proposal by NCUA which threatens to destroy those very tenets upon which we were founded. For reasons noted below, the proposed disclosure requirements and investment regulations serve only to stifle a CUSO's ability to innovate and provide collaborative solutions that would sustain credit unions in today's challenging times.

- One of our CUSOs provides marketing services to our credit union owners and clients. Over our nearly nine-year history, we have not only helped credit unions boost their sales and elevate their brands, we have also provided a positive return to our owners. How many future innovative and successful CUSOs like ours will never come to be due to unease over restrictions put in place today and in the future?
- The scope of credit unions' investment in CUSOs does not seem to validate NCUA's reasoning for additional requests for information and other regulations. The 22 basis points of total industry assets currently invested in CUSOs does not seem to reach a threshold necessitating extreme action. The case that CUSOs pose systemic risk in the credit union industry does not appear to have been made.

- Using our marketing CUSO as an example, we compete with other marketing agencies for credit union business. Many of our competitors do not have regulatory requirements, including the disclosure of their financial statements to the general public. By imposing this burden on us, we would be in a competitive disadvantage to these other agencies by exposing potentially sensitive information for public dissemination through FOIA requests.
- Some CUSOs are presently regulated by other financial services regulators. An additional layer of oversight would be incrementally burdensome for these CUSOs as well as inefficient for both the CUSO and the regulatory bodies.
- NCUA officials have pointed to the failure of Texas Credit Union, due to problems in its lending CUSO, as a significant reason for the additional proposed oversight. This case is not pertinent to the argument for additional regulation because
  - Regulators in that case were overseeing the CUSO and had expanded business lending authority beyond previously established limits,
  - ongoing supervision did not appropriately oversee the business lending activity in the credit union,
  - it ignores the hundreds of profitable CUSOs which did not fail under current CUSO rules, and
  - the currently proposed rules would not have affected the outcome.
- NCUA appears to believe, because of the Texas Credit Union case, that business lending is symptomatic of problems in CUSOs that make business loans. This ignores the facts that business lending CUSOs are estimated to constitute less than 1% of total CUSOs and that out of fifty-five credit union failures in 2009 and 2010, only one was primarily related to business loans. In fact, use of CUSOs for business lending helps to share the risk among multiple credit union owners.
- 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.
- NCUA's legal authority to approve the proposed regulatory changes is suspect. NCUA does not have regulatory authority over CUSOs yet this proposal requires CUSOs to provide financial information directly to NCUA which NCUA will retain and evaluate. This looks and feels like vendor authority and direct regulation of CUSOs which has not been authorized by Congress.

- 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.

In addition to the issues noted above, there are terms in the proposal that are in need of significant clarification. What is meant by a subsidiary? Does a CUSO have to have controlling interest in a company or does a 1% ownership in a company make the company a subsidiary?

NCUA will curtail the power of credit unions with less than 6% capital to invest in CUSOs if the aggregate cash outlay to a CUSO exceeds the CUSO investment limitation on a cumulative basis. How far back does the cumulative calculation go? What if a credit union invested in a CUSO ten years ago, does that count? How do investments in other CUSOs figure in to the analysis?

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?

Our CUSO, CU Holding Company, exists with the objectives of collaboratively sharing risk, managing costs, marketing services to members and credit unions and helping our smaller credit union clients achieve efficiencies larger credit unions enjoy due to their size through collaboration. We ask that NCUA consider the positive impact CUSOs have on the credit union industry and what this proposal would do to stifle that impact. Because of the arguments contained in this comment letter, as well as the questions remaining unanswered, we respectfully request NCUA withdraw the proposed Amendment.

Thank you for the opportunity you have given us to comment.

Very truly yours,



Michael V. Gleason, CPA

Controller

CU Holding Company, LLC

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