



August 12, 2011

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

Dear Ms. Rupp,

As President and CEO of Redwood Credit Union (RCU), and on behalf of our Officials, Staff and nearly 200,000 Members, I urge you to reconsider the proposed *Amendments to the NCUA Regulations re: CUSOs 12 CFR parts 712 and 741*. Should these Amendments take effect, they would greatly hinder our ability to raise additional revenue and serve our Members.

RCU Services Group is the CUSO owned by Redwood Credit Union. We have two main business lines under RCU Services Group: RCU Insurance Services, which sells insurance products including Property & Casualty, Accidental Death and Dismemberment and Debt Protection Products, among others; and RCU Auto Services, which is an auto dealership and brokering service that sells automobiles as well as the Credit Union's repossessed boats, recreational vehicles and motorcycles. While we understand the desire to protect the fund, we do not see that the additional regulation by NCUA would provide any recognizable regulatory value beyond what already exists, as both of our business lines already face regulation by the California Department of Insurance and the California Department of Motor Vehicles.

In our opinion, NCUA has not made a compelling case that CUSOs pose a systematic risk to credit unions that requires such a drastic and far-reaching regulatory change. Our total investment in our CUSO is 0.17% of total assets. The loss from such a small investment would not be material to the financial health of Redwood Credit Union. In addition, the products that we offer, insurance and automobile sales, are very low risk to the Credit Union and the insurance fund.

With interest rates at an all-time low, credit unions are no longer able to survive on the interest margin spread that sustained them in past years. It is important for Redwood Credit Union to allow our CUSO to innovate and provide collaborative solutions to help sustain us. While our CUSO is projected to add approximately \$200,000 in net income to Redwood Credit Union in 2011, it also adds value through intangibles including savings to Redwood Credit Union on repossession costs from storing repossessed

*Serving Members Since 1950*

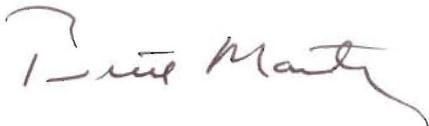
vehicles, processing voluntary repossessions and completing the sale of the vehicles to liquidate the repossessed inventory. In addition, our CUSO has generated over \$3 million in loans so far this year that are sent to Redwood Credit Union from automobiles sold at our auto dealership.

Imposing regulatory burdens on CUSOs puts them at a competitive disadvantage with non-CUSO competitors. NCUA would like CUSOs to submit their business plans, balance sheets, income statements and customer lists. In gathering and holding this information, NCUA puts CUSOs at a competitive disadvantage by exposing confidential business information to public dissemination through FOIA requests. Our non-CUSO competitors do not face this burden. In addition, the costs and time necessary to respond to the increased regulation from NCUA will be cost prohibitive. As we mentioned, our CUSO will have approximately \$200,000 of net income this year. Costs for an audit of our CUSO financial statements could run upwards of \$30,000, which is more than 15% of our net income. In addition, staff time to respond to audit requests and requests by the NCUA will be burdensome. Our CUSO currently has 10 employees. Each employee is at full capacity with their workload and responding to audit requests would put increased pressure on them. Hiring an additional employee to serve this purpose is cost prohibitive as our costs could be near \$50,000 including taxes and benefits. Coupled with the audit costs, our net income would now be only \$120,000, a reduction of 40% due to increased regulatory oversight. In addition, the NCUA will incur additional staffing and operational costs in order to administer the additional CUSO rules, which we feel is an unjustifiable and unnecessary expense that the industry will have to bear.

The proposed Amendments will have a detrimental effect on RCU Services Group and Redwood Credit Union, and surely on other credit unions nationwide. I strongly encourage the NCUA Board to withdraw the proposal.

I appreciate the opportunity to comment.

Warm Regards,

A handwritten signature in black ink that reads "Brett Martinez". The signature is written in a cursive style with a large, sweeping initial "B".

Brett Martinez  
President & CEO  
Redwood Credit Union