



Ms. 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 Regarding  
CUSOs 12 CFR Parts 712 and 741

Dear Ms. Rupp:

Thank you for the opportunity to comment on the proposed amendments to the CUSO regulations. Please be advised that Financial Service Centers Cooperative, Inc. (FSCC) opposes the Amendments to the NCUA Regulations regarding CUSOs 12 CFR 712 and 741 for the following reasons.

NCUA's information disclosure and regulation of CUSOs will stifle the ability of FSCC and other CUSOs to innovate and provide collaborative solutions for what would be expensive technological and brick and mortar expenses. Over the past few years, FSCC's innovations have helped credit unions compete with the largest of financial institutions at a fraction of the cost of developing branches and access points on their own. The proposed changes put our organization (and our credit unions) at a disadvantage as we believe that regulatory considerations will replace value factors in the decision to invest in a CUSO such as FSCC.

Perhaps more relevant in these economic times, these regulatory changes will 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). American taxpayers and credit union members should not be asked to pay for additional regulatory oversight. It already exists.

As you know, FSCC provides shared branching, mobile, remote deposit capture and kiosk services to over 1600 credit unions – 360 of whom are direct clients of FSCC. Over our twenty-year lifetime, we estimate that our CUSO has saved hundreds of thousands, perhaps millions, of dollars in brick and mortar expense. Over the past ten years these savings have also been realized by lowering technology expenses for our credit union owners and clients.

**Financial Service Centers Cooperative, Inc.**  
2855 E. Guasti Road, Suite 202 • Ontario, CA 91761-1249 • 888.372.2669 • [www.fsc.com](http://www.fsc.com)

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. Congress has not authorized this type of vendor authority and direct regulation of CUSOs.

By imposing regulatory burdens on them, CUSOs are put at a competitive disadvantage with non-CUSO competitors. NCUA wants CUSO to submit their business plans, balance sheets, income statements and 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.

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.

It is inconceivable that 22bps truly can represent “systemic risk” to 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.

I cannot over emphasize this enough: 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 two reasons for regulatory authority over all CUSOs are inadequate to justify new regulation. NCUA desires parity with banks’ regulatory authority over bank operating subsidiaries yet there is no evidence that the banks’ regulatory authority over bank operating subsidiaries mitigated bank losses in the economic crisis. NCUA cites substantial loan losses realized in a certain business lending CUSO. Even if CUSOs that make business loans pose a risk that need addressing, NCUA’s attempt to apply a regulatory cure for a business lending CUSO to all CUSOs is misguided when business lending CUSOs constitute less than 1% of total CUSOs.

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 astronomical. And ultimately, the taxpayer/credit union member will bear that expense.

Many very successful CUSOs that drive significant savings and income to credit unions do not have a sizable capital structure or generate significant income. This is certainly true of FSCC and shared branching where the dividends are the number of shared branches and access points we generate for our credit unions – not monetary return on the investment.

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 that NCUA withdraw the proposed Amendment.

Sincerely,



**Sarah Canepa Bang**  
Chief Executive Officer

c: The Honorable Debbie Matz, Chairman  
The Honorable Michael Fryzel, Board Member  
The Honorable Gigi Hyland, Board Member  
FSCC Board of Directors