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August 15, 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:

Please be advised that CU Companies opposes the above referenced Amendment to the NCUA Regulations regarding CUSOs for the following reasons:

CU Companies was founded in 1987 by three Minnesota credit unions to offer a competitive mortgage solution for their members. They realized that by combining forces, they could offer a superior product to their membership than if they did it alone. Over the years as our owners grew, so did our areas of expertise, giving credit unions an even greater product offering to their members. CUSOs help credit unions earn and save millions of dollars under the current regulatory model. There is no evidence that CUSOs pose a systemic 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's inconceivable that this 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 one percent 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's information disclosure and regulation of CUSOs will not provide any recognizable regulatory value beyond what already exists, especially for CUSOs like CU Companies which is required (directly and indirectly) by other financial services regulators—including NCUA—to follow certain operational safety and soundness practices. We appreciate the current regulation; however, a more severe regulatory environment will stifle the ability of CU Companies to innovate and provide collaborative solutions that will sustain credit unions.

NCUA cites substantial loan losses realized in a certain business lending CUSO. CU Companies does have a business lending unit (CU Member Business) and increasing regulatory authority over that business unit is not justifiable. CU Member Business is examined directly annually by the NCUA and indirectly multiple times during the year when owner credit unions are examined. We feel that this level of regulatory attention is sufficient for the NCUA to identify issues or concerns that might arise. The additional costs associated with this proposed amendment far outweigh the benefits.

Additionally, by imposing regulatory burdens on CUSOs, NCUA is placing us at a competitive disadvantage with non-CUSO competitors. In gathering and holding information such as business plans, balance sheets, income statements and customer lists, our private business strategy would be exposed through FOIA requests. It is important to remember that 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.

CU Companies is an avid supporter of the credit union industry. We believe in reasonable regulation which ensures the safety and soundness of the industry. Regulation that does not provide complete value; however, is not something which we defend.

We ask that NCUA withdraw the proposed amendment.

Cooperatively,



S. Brad Crandall  
Chief Executive Officer

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