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August 15, 2011

Mary Rupp, Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, 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 Mazuma Credit Union strongly opposes the above referenced Amendment to the NCUA Regulations regarding CUSOs for the following reasons.

As an introduction, Mazuma Credit Union (Mazuma) is the proud owner of six (6) different CUSOs, and a user of countless others. Mazuma's CUSO family provides many services to other credit unions and consumers, including: retail mortgage, title services, marketing solutions, payroll, short-term lending, and Research & Development for the Credit Union industry. The CUSO's unique business model saves our Members hundreds of thousands of dollars each year. The revenue generated from our CUSOs allows Mazuma to more effectively give back to our Membership.

While I applaud NCUA's desire to effectively and consistently regulate the industry, your proposed regulation is not the answer. If passed, this proposal will bring the gap between credit unions and banks even closer together. In short, it will kill credit union's one competitive advantage. CUSOs offer a unique business model that enables collaboration and innovation so credit unions can gain economies of scale, share intellectual capital, and more effectively service our Members. This model should be preserved and cherished, not subject to the changing winds of examiner and regulatory scrutiny.

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

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unnecessary hurdles placed in their path as they seek solutions to their sustainability.

NCUA's legal authority to approve the proposed regulatory changes is questionable. 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.

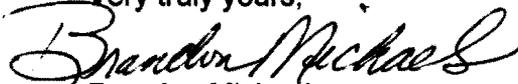
Why is such regulation and oversight needed? After all, the aggregate amount invested in and loaned to CUSOs is only 22 bps of industry assets, less than what is being assessed to credit unions this year for the Temporary Corporate Credit Union Stabilization Fund. This is hardly 'systemic risk' to the industry. Additionally, 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's two reasons for imposing 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 are estimated to constitute less than 1% of total CUSOs. It appears that NCUA wants to manage to the exception, rather than the rule.

The true value of CUSOs is measured by the successes of its member credit unions, not the amount of income it generates. CUSOs are created to help credit unions innovate, collaborate, and gain efficiencies, not necessarily to make a profit. How does NCUA expect to see the value of CUSOs to credit unions when you will be looking solely at financial statements? How will NCUA measure the success of a CUSO whenever their value is derived from the member credit union's financials? Does NCUA have the congressional authority to require CUSOs to report financial information directly to NCUA?

We ask the NCUA to withdraw the proposed Amendment. On behalf of our 53,000 Members who will be adversely affected by this proposal, I thank you for allowing me to respond.

Very truly yours,



Brandon Michaels  
Chief Financial Officer

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