Alpena
Alcona
Area Credit Union

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

Ms. Rupp:

I am writing to you today as a credit union CEO and as a Board Chairperson of a mortgage CUSO our credit union has a one third ownership interest in to express my opposition to the NCUA proposal to amend the regulations for credit unions service organizations (CUSOs), 12 CFR Parts 712 and 741.

CUSOs are independent corporations owned by credit unions and provide competitively priced services for the credit union industry as a whole. CUSO's have allowed credit unions of all asset sizes to participate in a collaborative effort to bring new and innovative products and services to their respective memberships at an affordable investment. This business model has been a key ingredient to the success of our industry and will continue to be the key ingredient for our success in the future. The CUSO model has performed exceptionally and has resulted in a tremendous operational expense savings for a large number of federally insured credit unions.

I am not aware of any compelling evidence that CUSO's pose a systematic risk to the credit union industry that requires a regulatory change. The proposed rule would place an additional regulatory burden on CUSO's by requiring all CUSOs to file quarterly reports not only with the NCUA but in every state where a credit union has ownership in a CUSO. This requirement is costly and will create an additional layer of expense not only to each respective CUSO but to both the state regulatory agencies and the NCUA that will be receiving a copy of the quarterly reports as well. The expense to carry forth the additional regulatory burden will ultimately fall upon all federally insured credit unions through the form of a higher annual operating fee

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structure. In light of the current economic times the last thing we need to put on our industry is a higher annual operating fee.

I do not understand the need for this proposed rule as the NCUA already has the authority to review the periodic financial statement information on any CUSO that a federally insured credit union makes an investment into or grants a loan to.

It is in my opinion that both the NCUA and state regulator can accomplish the CUSO financial report review process when an examination of our credit union operations is conducted every twelve months.

Each federally insured credit union's investment policy also outlines what is considered a suitable and authorized CUSO type investment for the respective federally insured credit union to either invest into or grant a loan as well. Also factor in that each federally insured credit union also has a board of director approved third party vendor due diligence policy that can outline the requirement that a CUSO provide the respective credit union with a periodic financial statement and an annual audited financial statement.

In summary, the NCUA already has access to all the information needed to provide a credit union with guidance on safety and soundness regarding CUSO investments and loans made to CUSOs. Accordingly, if a federally insured credit union has a high concentration risk in the area of loans and investments in CUSO's as a proportion of their total net worth or equity then further examination should be completed by either the NCUA or respective state regulatory authority during the credit union's annual examination of operations.

Alpena Alcona Area Credit Union made a business decision to invest in and to receive services from various CUSO's for various services ranging from mortgage servicing activities to data processing services. The credit union's decision to invest in the CUSO was guided by both our credit union's investment policy coupled with our third party due diligence review that was carefully performed to ensure we were operating in a prudent manner and most importantly partnering with a trusted third party to deliver a valuable service to our membership.

Please vote no against this proposed regulation. The proposal does not effectively address any key concerns within the credit union industry, and merely adds unnecessary burdens to CUSOs and our credit union industry as a whole.

The last thing our credit union industry needs at this juncture is more unnecessary regulatory burdens placed upon CUSO's that will stifle new innovations and new product development that is critical to the credit union industry as a whole. The future success of our credit union industry depends on the ability of credit unions collaborating in the CUSO business format. Placing regulatory burdens on a CUSO will put a CUSO at a competitive disadvantage with a non-CUSO third party competing vendor.

Because credit unions are not for profit cooperatives owned by our membership, any new regulatory burden placed upon our credit union or a CUSO that our credit union collaborates with will ultimately place an additional burden on our credit union's 26,500 members.

Thank you very much for your time and consideration.

Donald J. Mills, President & CEO
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