



August 30, 2011

Ms. Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexander, VA 22314-3428
Email: regcomments@ncua.gov

Re: Comments to the Proposed Amendments to the NCUA Regulations on CUSOs
12 CFR Parts 712 and 741

Dear Ms. Rupp:

Bellco Credit Union is pleased to submit this comment letter in response to the NCUA's request for comments with respect to the proposed regulation of credit union service organizations (CUSOs). By way of background information, Bellco Credit Union is a state-chartered credit union with in excess of 190,000 members and approximately \$2 billion in assets.

Bellco uses the services of many CUSOs to provide a variety of financial services to our members—everything from technology and research/development to insurance, investments and trust services. Attached is a representative chart of the CUSOs from which Bellco continues to receive valuable services that benefit our members. CUSOs are the collaborative arm of credit unions trying to solve operational and financial issues. As such, credit unions should not have unnecessary hurdles placed in their path as they seek innovative solutions to benefit their membership.

NCUA's information disclosure and regulation of CUSOs will stifle the ability of CUSOs to provide collaborative solutions that will sustain credit unions, as regulatory considerations will often replace other factors in the decision to invest in a CUSO and will not provide any regulatory value beyond what already exists—especially for CUSOs that are strictly regulated by other financial service regulators, such as the SEC and insurance regulators.

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. NCUA already has the ability to examine the books and records of CUSOs and exercise full leverage over their credit union owners to resolve any safety and soundness issues.

Many CUSOs that drive significant savings and income to credit unions do not have a sizable capital structure or generate income. Operational CUSOs are designed to save the credit union operating costs—not to make money. Financial service CUSOs are often formed solely for marketing or licensing purposes and income flows from a third party vendor directly to the credit unions. Therefore, the size of a CUSO balance sheet or income statement bears no reasonable relationship to the positive financial or service impact the CUSO has on its credit union owners.

By imposing new regulatory burdens on CUSOs, these service organizations are put at a competitive disadvantage with their non-CUSO competitors. NCUA wants 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 private business secrets and strategies to public dissemination through Freedom of Information Act requests.

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Finally, NCUA's legal authority to approve the proposed regulatory changes is questionable and duplicative. NCUA does not have regulatory authority over CUSOs, yet this proposal requires CUSOs to provide financial information directly to NCUA for evaluation. This appears to be direct regulation of CUSOs which has not been authorized by Congress. Moreover, the additional costs of the proposed CUSO regulations in NCUA staffing and operational budget is an unnecessary expense the credit union industry would have to bear. The cost will be significant if NCUA expects to hire experts in every type of business in which CUSOs engage—and the cost is particularly unjustified due to the overlap when many of our CUSOs are already heavily regulated by other regulatory bodies.

CONCLUSION

Bellco Credit Union appreciates the opportunity to submit these comments regarding the proposed regulation of CUSOs. For the foregoing reasons, Bellco opposes the proposed amendments and respectfully requests that NCUA withdraw the pending amendments.

Respectfully,

A handwritten signature in black ink, appearing to read 'Dan K', with a long horizontal flourish extending to the right.

**Dan Kampen
Executive Vice President and CFO**

Enclosure

Bellico Credit Union
CUSO Listing
as of: June 30, 2011

	<u>Open Technology Solutions, LLC</u>	<u>CUILA, LLC</u>	<u>Open Financial Solutions, Inc.</u>	<u>Members Trust Company, FSB</u>	<u>Gateway Services Group, LLC</u>
Investment	\$2.4 million	\$1.57 million	\$1 million	\$1.00 million	\$500,000
Equity	\$98,600	\$ 1.25 million	\$240,900	\$735,500	\$470,600
% Ownership	32.7%	39.3%	12.5%	2.6%	6.2%
Purpose	Core and Other System Hosting and Support	Indirect Lending	Research & Development Bill Payment	Trust Services	Insurance

	<u>CUSO Financial Services, LP</u>	<u>Centennial Lending, LLC</u>	<u>Student CU Connect CUSO, LLC</u>	<u>Member Gateway, LLC</u>	<u>Callahan CU Financial Services, LP</u>
Investment	\$480,000	\$485,000	\$225,000	\$161,000	\$127,500
Equity	\$480,000	\$908,000	\$0	\$48,300	\$125,900
% Ownership	2.3%	7.5%	21.3%	3.6%	2.05%
Purpose	Member Investments	Business Lending	Student Loan Originator	Investments, Insurance	Investments

	<u>CU Service Network, Inc</u>	<u>Bellico Financial Services, LLC</u>	<u>CU Cooperative Systems, Inc.</u>	<u>CU Resource Group, LLC</u>
Investment	\$50,000	\$25,000	\$20,000	\$10,000
Equity	\$50,000	\$308,900	\$135,700	\$10,000
% Ownership	0.61%	100%	Minimal	3.3%
Purpose	Shared Branching	Insurance	ATM Network	Small CU Services