



September 1, 2011

Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
Email: 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 eDOC Innovations, Inc. opposes the above referenced Amendment to the NCUA Regulations regarding CUSOs for the following reasons.

NCUA's legal authority to approve the proposed regulatory changes is suspect to anti-trust law and infringes on the rights of non-credit union share holders of businesses designated as CUSOs because of the credit union ownership participation. NCUA does not have regulatory authority over businesses which are "For Profit" businesses operating within the legal parameters of the open market, regardless of credit union participation, yet this proposal would require those businesses to provide financial and other business information directly to NCUA simply because credit unions have determined that ownership participation in the business is an effective investment course and a mechanism to protect their investment in that businesses services. This proposal further indicates that NCUA will retain and evaluate this information. This looks and feels like vendor discrimination authority and direct regulation of "For Profit" businesses designated as CUSOs, which has not been authorized by Congress.

Additionally, such regulatory burden placed on these businesses is a distinct competitive disadvantage with other private or publicly owned competitors. NCUA wants CUSOs to submit their **confidential** business plans, balance sheets, income statements and **confidential** customer lists. In gathering, holding and evaluating this information, NCUA puts CUSOs in a competitive disadvantage by exposing private business and trade-secrets to public dissemination through FOIA requests. These CUSO businesses are an important and effective collaborative arm of the credit union industry as credit unions seek to solve operational and financial issues, which efforts should not have regulatory hurdles placed in their path as they seek solutions critical 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'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 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. Further, NCUA cannot reasonably conceive to make the case that CUSOs had anything to do with the financial difficulties in the credit union industry.

NCUA's two reasons for imposing regulatory authority over all CUSOs are inadequate to justify such regulation. NCUA indicates that it desires parity with bank regulatory authority over bank operating subsidiaries, yet there is no evidence that such regulatory authority over bank operating subsidiaries has mitigated bank losses in the current economic crisis.

It is inconceivable that NCUA could be deemed as a qualified evaluator of such a broad group of business interests in its current structure and the additional costs of the proposed CUSO rule in staffing and operational budget of NCUA is an unjustified and unnecessary expense that ultimately these businesses and the industry will have to bear. If NCUA expects to hire experts in every type of business CUSOs are engaged in, the costs will be staggering.

There are terms in the proposal that are in need of significant clarification. What is meant by a subsidiary? Does a CUSO have to have controlling interest in a company or does a 1% ownership in a company make the company a subsidiary?

Further, NCUA indicates it will curtail the power of credit unions with less than 6% capital to invest in CUSOs if the aggregate cash outlay to a CUSO exceeds the CUSO investment limitation on a cumulative basis. How far back does the cumulative calculation go? What if a credit union invested in a CUSO ten years ago, does that count? How do investments in other CUSOs figure in to the analysis? What is the procedure to obtain NCUA approval to make additional investments? What are the standards of review that NCUA will use? Is there a time period in which NCUA must respond to a request or can the request go unanswered? Does an existing owner have to divest? What would such divestiture do to the value of the firm and other minority shareholders? What derivative actions would such actions produce? There are far too many issues related to this proposed Amendment to contemplate it having any substantive benefits.

There are many very successful CUSOs that drive significant savings and income to credit unions do not have a sizable capital structure or generate income. Some operational and technology CUSOs are designed to save the credit union's operating costs and not to make money, while others have non-credit union private ownership participants and are operated for both monetary and intellectual capital increase purposes. If NCUA is to review CUSOs based solely on balance sheets and income statements, there are many questions that must be answered. How does NCUA expect to see the value of CUSOs to credit unions; or how does NCUA 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?

In conclusion, this proposed regulation does not have the weakest of justifications for such control over free enterprise business. These businesses effectively collaborate with credit unions every day to drive sustainability for the industry and we respectfully request the NCUA to withdraw the proposed Amendment.

Sincerely,



Bret Weekes
President/CEO

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