



6000 – 28th Street S.E.
Suite 100
Grand Rapids, MI 49546
(866) 981-4XTEND

September 7, 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 our CUSO, Xtend Incorporated opposes the above referenced Amendment to the NCUA Regulations regarding CUSOs for the following reasons.

NCUA's proposed requirement for information disclosure and regulation of CUSOs will create an unnecessary burden on CUSOs, will put them at a competitive disadvantage against their non-CUSO competitors and will stifle the ability of credit unions to utilize the CUSO structure to collaborate and innovate for their sustainability and the benefit of their members.

Our CUSO is 100% owned by credit unions that we proudly serve on a day-to-day basis. Although we are relatively young (in our 8th year) we have grown to serve nearly 150 credit unions and employ nearly 40 credit union professionals. We operate as a cooperative entity, but provide returns to both owning and non-owning credit unions through our aggressive pricing structures that are designed to be break-even. Excess earnings are returned to the owning credit unions in the form of a stock dividend. In other words, our CUSO operates as close to a credit union not-for-profit business model as possible.

Our CUSO was formed to provide operational services for small-to-medium sized credit unions so that they could not only survive, but thrive in today's increasingly competitive marketplace. We offer compliance monitoring, back office, marketing and call center services that allow credit unions to both reduce operating expenses and increase revenue. We feel very strongly, as do many of the credit unions that we work with on a daily basis, that our service offerings have allowed many of our clients to

remain competitive, if not in business altogether. Our stand-in services alone allowed a credit union to serve members in the months following a disaster (fire) and kept several “open for business” following an earthquake, a blizzard and several hurricanes.

NCUA’s legal authority to approve the proposed regulatory changes is suspect. 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.

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 unnecessary hurdles placed in their path as they seek solutions 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. NCUA cannot 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 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 CUSO. There are a myriad of CUSO types, including multi-owned cooperative ventures like Xtend, and it is reckless to generalize isolated incidents that may exist as a “systemic problem.”

The additional costs of the proposed CUSO rule in staffing and operational budget of NCUA is an unjustified and unnecessary expense the industry will have to bear. If NCUA expects to hire experts in every type of business CUSOs engage in, the costs will be staggering.

Many very successful CUSOs that drive significant savings and income to credit unions do not have a sizable capital structure or generate significant income. Operational CUSOs like Xtend are designed to save the credit union's operating costs and not to make money. If NCUA is to review CUSOs based solely on balance sheets and income statements, there are questions that must be answered. How does NCUA expect to see the value of CUSOs to credit unions or 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?

We ask the NCUA to withdraw the proposed Amendment.

Very truly yours,

Scott L. Collins

Scott L. Collins
President
scollins@xtendcu.com

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