



GATEWAY  
servicesgroup

*Celebrating 10 years of service to  
Credit Unions and their Members.*

August 11, 2011

Mary Rupp, Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexander, 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 Gateway Services Group, LLC 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 to their non-CUSO competitors, will place their proprietary information at risk and will stifle the ability of credit unions to utilize the CUSO structure to collaborate and innovate for their benefit and that of their members.

Our CUSO is celebrating its 10 year anniversary this year and has proudly served over 200 credit unions and CUSOs across the nation. Over our history, we have provided over \$1.8 million in direct cash dividends to our owners, have provided an increase in the market value of their investment in the CUSO and have delivered additional savings from our collaborative negotiations on behalf of our credit unions.

At the most basic level, our CUSO was built to provide credit unions access to trusted, specialized expertise in investments, insurance and trust that they may otherwise not be able to afford. We have leveraged the CUSO's staff of experts to build value for our credit unions by negotiating collaborative price discounts using the collective scale of the group and by providing the services help our credit unions better manager their

insurance, trust and investment programs for members. We strongly believe in the collaborative model and have shown that the scale we have built via our CUSO has delivered value to our credit unions. We serve credit unions of all sizes, across the United States. In addition, because of the scale of our group, we have been able to work to develop new products and services to help our credit unions better manage risk and improve their performance.

Our competitors are primarily privately held firms in the insurance, investment and trust industries that would not be subject to this same level of oversight and regulation. This new regulation will, therefore, unfairly subject CUSOs to the burdens of additional reporting and regulation with the attendant staff time and costs. Of even more concern, is that by being required to submit our financial records, business plans and customer lists to NCUA it will make our proprietary information subject to public dissemination via FOIA requests. This will place our CUSO and all CUSOs at a competitive disadvantage.

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.

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 a fraction of industry assets. By current regulation, each credit union's CUSO investment risk is less than 1% of its assets. In addition, 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 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. NCUA cites substantial loan losses realized in one certain business lending CUSO. We do not believe a problem in one specific CUSO justifies NCUA's attempt to apply new regulatory burdens to all CUSOs, regardless of their business type. There are myriad types of CUSOs, it does not make sense to generalize a problem in one CUSO to the remainder of CUSOs.

It would be impossible for this proposed CUSO rule not to cause an increase in the staffing and operational budget of NCUA at exactly the time when credit unions do not need additional expense. If NCUA expects to hire experts in every type of business CUSOs engage in, these added costs will be staggering.

The term CUSO simply means a credit union owned organization devoted to providing services to credit unions. This open definition has allowed credit unions to innovate in creation of hundreds of different types of organizations meeting a variety of business purposes. The only common factor is that they are owned by credit unions.

Therefore, we believe that NCUA currently has the tools to evaluate and mitigate any risk via its regulatory powers over credit unions.

Many very successful CUSOs that drive significant savings and income to credit unions do not require or maintain a sizable capital position. Yet NCUA is proposing to hold CUSOs accountable for similar requirements for its financial position and capital as would be required for a depository institution. As an example, operational CUSOs are designed to save the credit union's operating costs and not to build a bottom line and grow unneeded capital. Financial service CUSOs are often formed solely for marketing or licensing purposes and the income generated flows from a third party vendor directly to the credit unions, not through the CUSO. If NCUA is to review CUSOs based solely on balance sheets and income statements, it is missing the true value that many CUSOs are providing to their owners.

We ask that NCUA withdraw the proposed Amendment.

Very truly yours,



R. Scott Jentz  
President

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