



September 15, 2011

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

Submitted via e-mail to: regcomments@ncua.gov

Re: **Comments on NCUA Notice of Proposed Rulemaking (CUSO), 12 C.F.R. Part 712**

Dear Ms. Rupp:

This comment letter represents the views of the Virginia Credit Union League and our state's shared branching CUSO, the Credit Union Service Company of Virginia, regarding the NCUA's proposal to amend its credit union service organization (CUSO) rules. The Virginia Credit Union League is the state association for the Commonwealth's 180 member-owned financial cooperatives which serve more than 6 million members. Our shared branching CUSO is owned by 54 credit union stockholders and processes approximately 2 million transactions annually. CUSOs enable credit unions to work cooperatively to share resources, improve their product offerings, and provide the kinds of financial services that members want.

According to NCUA, the proposed changes to the CUSO rules are necessary because of the lack of adequate and complete financial information about CUSOs and their potential impact on the NCUSIF. In addition, the agency has said it is concerned about undercapitalized credit unions investing in CUSOs. We agree that as a safety and soundness regulator NCUA has the right to consider the financial impact of credit union investments alongside the subsequent impact of CUSO financial performance on credit union balance sheets. However, the Virginia League and the CUSO we represent do not support the agency's proposal because we believe that NCUA already has sufficient options in assessing safety and soundness issues associated with credit union participation in a CUSO. We do not believe NCUA has the authority of direct oversight as the authority provided in the FCU Act expired in December 2001. We further believe direct oversight is appropriate only if targeted to specific identified problem areas.

We are particularly concerned that under the proposal CUSOs would be required to report financial data directly to NCUA. We support requirements that CUSOs make available quarterly financial statements to their *credit unions*. Generally, we believe CUSOs should be required to

comply with GAAP and to prepare an annual audit under GAAS. However, we support an exemption process for small CUSOs where the requirement would impose a significant burden.

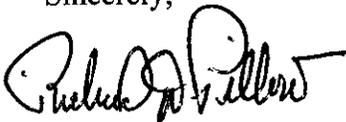
Currently, federal credit unions that are less than adequately capitalized may not invest in a CUSO if the investment requires a cash outlay of more than 1% of the credit union's paid in and unimpaired capital and surplus without prior written approval from the NCUA. The proposal would apply this general requirement to undercapitalized state credit unions which would have to seek approval from the state regulator and notify NCUA of the request for approval. We can support this particular portion of the proposed amendments in the event that the overall proposal is substantially revised.

We are opposed to two final items addressed in the proposal. Firstly, we do not believe CUSOs should have to provide either state or federal regulators a list of the CUSO's customers. Inasmuch as we are generally opposed to direct regulatory oversight of CUSO's we are by extension opposed to the provisions applying to subsidiary CUSOs.

The Virginia Credit Union League believes that credit unions will continue to utilize CUSOs to improve efficiencies and expand operations in service to their members. Regulation that is excessive and unnecessary will only stifle innovation and cooperation.

Thank you for the opportunity to comment on behalf of the Virginia Credit Union League and our shared branching CUSO. Please contact me at 434-237-9600 if you have any questions about this letter.

Sincerely,



Richard D. Pillow
President

CC: League Regulatory Response Committee
Carl Ratcliff, Chairman, Credit Union Service Company of Virginia
CUNA