



September 19, 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
CUSOs 12 CFR Parts 712 and 741

Dear Ms. Rupp:

As a representative of *FAIRWINDS* Credit Union, I oppose the amendment to the NCUA Regulations regarding CUSOs.

The required information disclosure; and, regulation of CUSOs by NCUA will inevitably stifle our CUSOs' abilities to innovate and provide cost-effective solutions that help us sustain member services. In addition, I fear that regulatory considerations (such as an arbitrary cap) will replace such value-add factors, essentially prohibiting *FAIRWINDS* Credit Union from making an investment in a CUSO based on sound business reasoning.

In addition, I see no recognizable regulatory value beyond what already exists, especially for CUSOs that are regulated by other financial services regulators (e.g., SEC and our state insurance regulators).

FAIRWINDS Credit Union owns and uses the services of the following CUSOs that provide either operational efficiencies (through cooperative principals) or enhance the financial service offerings to our members.

• CUSO Financial Services	\$200,000
• <i>FAIRWINDS</i> Financial Services, LLC	\$50,000
• Payment Systems for Credit Unions	\$1,160,162
• Credit Union 24, Inc.	\$365,562
• Florida CU Shared Services, Inc.	\$16,719
• <i>FAIRWINDS</i> Insurance Services, LLC	\$242,000
• Sallie Mae	\$479

FAIRWINDS Credit Union estimates that it has earned (or saved operating expenses) millions of dollars from these CUSOs, on an annual basis.

It seems that the proposed amendment is at odds with NCUA's regulatory authority. I do not recall that NCUA has regulatory authority over CUSOs, yet it proposes to require CUSOs to provide financial information directly to NCUA!

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Submitting to such regulatory scrutiny, CUSOs will be placed at a competitive disadvantage with non-regulated competitors. In addition, I find it abhorrent that NCUA would want CUSOs to submit their confidential information, like business plans and customer lists, which could be made public through FOIA requests.

Our CUSOs help *FAIRWINDS* Credit Union earn and save millions of dollars under the current regulatory model, while providing valuable services to our members. There is no evidence that CUSOs pose a systematic risk to credit unions that requires any regulatory changes. In fact, the aggregate amount invested in and loaned to CUSOs is less than 20 basis points of our total assets!

System-wide, CUSOs drive significant cost savings and generate income to credit unions. They do this without the need for a sizable capital structure. Many operate at break-even, as they pay out excess earnings in the form of patronage dividends to their credit union owners, based on participation. This is similar to what many credit unions do with their own natural person members in the form of “bonus dividends.”

Operational CUSOs are designed to save the credit union operating costs and not to make money. Financial service CUSOs are often formed solely for marketing or license purposes and income flows from a third party vendor directly to credit unions. I see little regulatory value to NCUA’s review of CUSOs based solely on balance sheets and income statements.

As such, *FAIRWINDS* Credit Union respectfully asks the NCUA to withdraw the proposed Amendment.

Sincerely,

John J. Coffey, SVP-Risk Management

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