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CU • COMMUNITY

Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexander, VA 22314-3428
Email: regcomments@ncua.gov

SEP20'11 PM 3:32 BOA

Re: Comments to the Proposed Amendments to the NCUA Regulations re: CUSOs 12 CFR Parts 712 and 741

Dear Ms. Rupp:

I am the President of C U Community, LLC, a CUSO wholly owned by ORNL Federal Credit Union. We offer mortgage origination, processing, title closing and insurance services to 13 credit union client partners from the Chattanooga area to Kingsport. We are a conduit to the secondary market for our client's long term mortgage needs for their membership. We also offer portfolio underwriting for partners who chose to retain shorter term loans on their books. Our client partners assets range from under \$100M to over \$1.3B. The compliance and regulatory changes for the past 2 years has had a significant impact on all credit unions, especially the smaller credit unions. One of our partner's VP of Lending told me he was having difficulty serving his members due to the time he is spending on regulatory changes. Imagine having a Compliance CUSO to assist credit unions with these regulatory hurdles. Collaborative innovation such as this is truly needed by large and small credit unions. Smaller credit unions would have the greatest challenge in hiring a Compliance Officer and the expense of maintaining their certifications.

Now more than ever, it is important for credit unions to collaborate for cost savings and possibly gain revenue from economies of scale. Per your NCUA Directory, in the last 3 years 549 credit unions has closed or merged with another credit union. At the end of 2008, there were 8130 credit unions; by the end of 2010, there was 7581. NAFCU and NACUSO included sessions on collaboration at their conferences. There are a host of articles in print and on the web regarding credit union collaboration. Who better to understand the plight and needs of a credit union and their member other than an entity owned by a credit union(s)? When credit unions use bank owned entities to process their mortgage loans, they run the risk of that bank soliciting their members for other services; thereby weakening their membership retention efforts.

By imposing regulatory burdens on them, CUSOs are put at a competitive disadvantage with non-CUSO competitors. NCUA wants CUSO to submit their business plans, balance sheets, income statements and customer lists. In gathering and holding this information, NCUA puts CUSOs in a

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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. As you know the assessments are having a tremendous impact on Credit Union's Balance Sheets. The proposed amendment would only make things worse for credit unions that utilize or own CUSO's. 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.

Many very successful CUSOs that drive significant savings and income to credit unions do not have a sizable capital structure or generate income. Operational CUSOs are designed to save the credit union's 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 the credit unions. 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 that NCUA to withdraw the proposed Amendment.

Very truly yours,

Janita M. Clausell

Janita M. Clausell
C U Community, LLC
President/COO