



September 12, 2011

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

SEP20'11 PM 3:32 BOARD

Email: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

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

Dear Ms. Rupp

We are writing to inform you that America First Federal Credit Union based in Ogden Utah, opposes the proposed Amendment to the NCUA Regulations regarding CUSOs that is referenced above.

Our chief concern is NCUA's proposed revisions to the CUSO Regulation (12 CFR Parts 712 and 741) which appears to be the beginning steps towards full regulation of CUSOs. It appears that the 22 basis points of total industry assets invested in CUSOs somehow pose a systemic risk to credit unions and as a result, NCUA will be making a case to Congress to give them vendor authority and power to directly regulate CUSOs.

By imposing regulatory burdens on CUSOs, they are placed at a competitive disadvantage with non-CUSO competitors. We are asking that you consider review of our following concerns.

- NCUA's information disclosure and regulation of CUSOs will:
  1. stifle the ability of CUSOs to innovate and provide collaborative solutions that will sustain credit unions as regulatory considerations will often replace value factors in the decision to invest in CUSO; and
  2. not provide any recognizable regulatory value beyond what already exists, especially for CUSOs that are regulated by other financial services regulators (e.g. SEC and insurance regulators).

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- **NCUA does not have regulatory authority over CUSOs yet this proposal requires CUSOs to provide information directly to NCUA which NCUA will retain and evaluate. This raised concerns about proper vendor authority and direct regulation of CUSOs which has not been authorized by Congress.**

**NCUA has stated two reasons for regulatory authority over all CUSOs. We feel that both reasons are not sufficient to justify this proposed regulation change.**

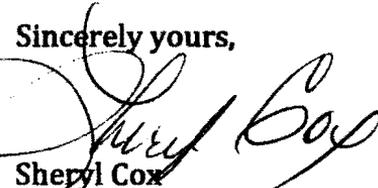
**NCUA's desire to have parity with banks' regulatory authority over bank operating subsidiaries and third party service providers lends itself to serious consideration. There is no evidence to support the banks' regulatory authority over bank operating subsidiaries and third party service providers played any role in the mitigation of the systemic risk of bank losses in the economic crisis.**

**NCUA official have often cited a singular example that the possible failure of one credit union was tied directly to their mismanagement of their CUSO. Because of this singular case, there appears to be a demand for greater accountability for CUSOs. NCUA's attempt to customize their regulatory approach to overseeing the business lending CUSO sector may be misguided. Business lending CUSOs are less than 1% of the total CUSOs. There should be proper evaluation concerning the proportion of the supposed problem.**

**NACUSO has reiterated that the current CUSO rules have resulted in hundreds of profitable CUSOs.**

**We thank you for the opportunity to provide comment on this serious matter. We sincerely believe that the proposed changes will have negative impact on the CUSOs and credit unions who invest in them. Because of this concern ant the above mentions concerns, we are sincerely asking that NCUA to withdraw this proposal in its entirety.**

**Sincerely yours,**

  
**Sheryl Cox**

**VP Governmental Affairs**

**America First Federal Credit Union**