



September 20, 2011

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

Subject: Notice of Proposed Rulemaking—Credit Union Service Organizations (CUSO)

Dear Ms. Rupp:

We have reviewed the subject proposed rule, and respectfully offer our comments for NCUA consideration. In general, we strongly oppose any effort on the part of NCUA to regulate the *operation* of credit union service organizations. CUSOs provide third-party support of credit union operations, and in this regard, are no different than any other third-party provider. Accordingly, NCUA's regulatory oversight is appropriately limited by existing law.

NCUA purview related to CUSOs is appropriately relegated to the effects of the CUSO on the safety and soundness of credit unions in the following specific areas:

- Credit union loans to CUSOs
- Credit union investments in CUSOs
- Risk exposures to credit unions related to assets generated by CUSOs

Pursuant to assessing CUSOs potential risk to credit union clients, investors, and lenders, we recognize the benefits to the NCUSIF facilitated by the proposed Part 712.3; however, we are concerned that unintended consequences will result from any data gathering methods that might be subject to Freedom of Information Act requests, or that might otherwise be made available to the public.

If, for any reason, Part 712.3 information should be available to the public, we do not support annual financial reporting as proposed, and we respectfully suggest that certain sensitive information be removed from Part 712.3 information reporting requirements, including:

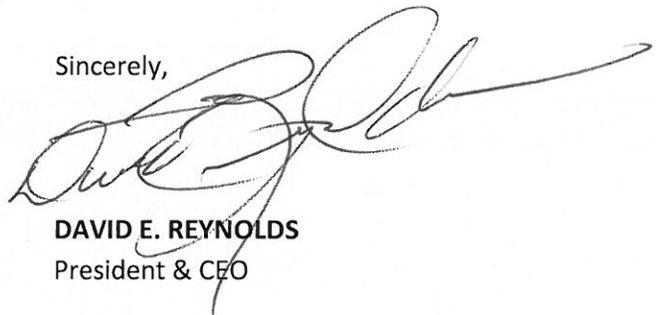
- Disaster recovery plans and testing—CUSOs would be subject to increased business continuity risks created by allowing public access to this highly-sensitive information.

- Contact information for each board member, affiliated credit union, and their position at their credit union – This information does not facilitate NCUA’s goal of assessing risk exposures to credit union clients, investors, and lenders.
- List of clients by charter number, name, service, and level of activity – While we recognize the value of this information towards assessing NCUSIF-insured risks, competitors will gain a competitive advantage, should public access be available.

In regard to extending CUSO rules to Federally Insured State Chartered Credit Unions (FISCU), we support applying the same CUSO rules to FISCU’s as apply to federal credit unions. Given that the risks to the NCUSIF are essentially identical regardless of charter-type, a separate and distinct set of regulations is not prudent or equitable.

Please consider the unintended consequences of having public access to certain CUSO information; and either assure the information will be strictly confidential, or remove the specific annual reporting requirement information we discussed in this letter. As always, thank you for considering the comments of Security Service Federal Credit Union. If you have any questions, Chief of Staff Howard Baker or I are available at your convenience at (210) 476-4550.

Sincerely,

A handwritten signature in black ink, appearing to read 'David E. Reynolds', with a long, sweeping horizontal line extending to the right.

DAVID E. REYNOLDS
President & CEO

cc: Fred Becker, President & CEO, National Association of Federal Credit Unions
Bill Cheney, President & CEO, Credit Union National Association