From: Bill Birnie
To: _Regulatory Comments
Subject: Bill Birnie - Comments on Notice of Proposed Rulemaking (CUSO)
Date: Friday, September 23, 2011 4:50:24 PM

September 23, 2011

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

Re: Comments on Notice of Proposed Rulemaking – CUSOs

On behalf of our 21,000 members and the various CUSOs where we have an interest, Eagle Community Credit Union strongly encourages the NCUA to discard the proposed amendments to 12 CFR parts 712 and 741 in their entirety.

NCUA's statutory authority is questionable.

We concur with the rationale articulated in numerous other comment letters submitted on this subject and we do not believe congress has granted the NCUA the authority to impose direct examination and regulation upon CUSOs. Without such authority, we question the NCUA's ability to enforce any such published regulations and envision the possibility of yet another undesirable, prolonged, ill-fated and costly legal debate – a squandering of industry resources we would find repugnant.

The Amendments are unnecessary.

NCUA already has adequate authority to mitigate risks to the NCUSIF arising from CUSOs. This authority includes NCUA's ability to influence on credit union activities to resolve perceived safety and soundness issues, to order credit unions to terminate ownership of a CUSO, and to force the discontinuation of business relationships with a CUSO.

Via Letter to Credit Unions 7-CU-13, the NCUA published guidelines for credit unions to follow regarding the performance of third party vender due diligence reviews and continuous monitoring of these relationships. Compliance with these guidelines and the extensiveness of the due diligence performed is clearly susceptible to examination.

We do not believe that CUSOs present a systemic risk to the industry. There are already regulatory limitations in place on a credit union's ability to invest (assume ownership) in a CUSO and credit union liability is limited to the extent of such investments/ownership positions.

The Amendments create a competitive disadvantage.

The proposed requirement for CUSOs to submit confidential business plans, balance sheets, income statements and other such documentation to the NCUA subjects this information to potential public dissemination via FOIA requests – this (insider) information facilitates enhanced strategic positioning by non-CUSO competitors. In addition, the preparation of required documents in a format acceptable to the NCUA and the time spent formulating responses to NCUA recommendations and inquiries pose a financial cost to CUSOs and divert limited

resources away from the development and provision of innovative, cost-effective products and services.

The amendments increase NCUA operating expenses.

We perceive that the proposed amendments would generate additional staffing (assuming that the NCUA does not already employ the expertise to evaluate the wide variety of CUSO business models and operations) and other administrative costs in the NCUA's operating budget. Given that we do not believe the imposition of these regulations is necessary, we conclude that these potential budgetary influences are unjustified for the industry to bear.

While we understand and empathize with the NCUAs motivation to protect the NCUSIF, we believe that the proposed amendments are unnecessary and will have an adverse impact upon both CUSOs and the credit unions they serve. We reiterate our strong opposition to the proposed amendments and we implore the NCUA to discard the proposed amendments in their entirety.

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