



Federal Credit Union

For everyday people. For life.

September 23, 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 re: CUSOs 12 CFR
Parts 712 and 741

Dear Ms. Rupp:

Please be advised Belvoir Federal Credit Union opposes the above referenced amendment to the NCUA Regulations regarding Credit Unions Service Organizations (CUSOs).

As a credit union that wholly owns one CUSO, and partners with multiple other CUSOs, we are concerned that the proposed amendment will significantly impact our ability to offer our members competitive financial services.

Belvoir Federal's CUSO, COMPASS 4 CUs LLC, provides regulatory compliance assistance to credit unions of all sizes, at a fraction of the cost of a full- or even part-time compliance officer. Credit unions using our CUSO benefit from the expertise of credit union compliance professionals helping only credit unions. Under the proposed amendment, we wonder if such a credit union-centric program would remain available to us and our clients.

Belvoir Federal also relies on CUSOs for management of our first mortgage and credit card portfolios, disaster recovery, and more. Each time we loan, participate or invest in a CUSO, NCUA has the authority to provide oversight to the transaction. It is our understanding that through this process NCUA has access to comprehensive information – enough to work with the credit union to ensure the transactions meet safety and soundness standards. However, if the new amendment suppresses the industry's ability to collaborate and partner through CUSOs to provide industry products, where do we turn? Do we turn to solutions that provide other products and services in direct competition with our own?

We also express concern about NCUA's plan to provide adequate oversight. All CUSOs are not created equal. Looking across the credit union landscape, we see CUSOs of all sizes and focuses. We cannot imagine a scenario where NCUA could ever have the resources to adequately provide informed oversight over such a diverse group of businesses as are represented in CUSOs today.

In addition, we question how NCUA plans to address the costs associated with hiring and training specialized regulators. In an era where all businesses are focused on running as lean as possible, the additional costs of the proposed CUSO rule in staffing and operational budget of NCUA is an unjustified and unnecessary expense for the industry. If NCUA expects to hire experts in every type of business CUSOs engage in, the costs will be staggering.

Many very successful CUSOs that drive significant savings and income to credit unions do not have a sizable capital structure or generate income. 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 do understand this amendment has its roots in recent industry events, but we believe it is not the right solution. The long-term ramifications outstrip any short-term benefits, if indeed there are any benefits. We do not dismiss the severity of the problems that arose in various places in the country during the past few years, but it is our belief there is not a larger problem. Most certainly, any concerns should not rise to the level of a systemic risk for the credit union industry.

We ask the NCUA to withdraw the proposed amendment.

Sincerely,



Patricia S. Kimmel
President/CEO

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