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AllegacyFCU.org

September 26, 2011

Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexander, 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 that Allegacy Federal Credit Union opposes the above referenced Amendment to the NCUA Regulations regarding CUSOs for the following reasons.

NCUA's information disclosure and regulation of CUSOs will 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 a CUSO.

Allegacy has invested in ten CUSOs. We maintain majority ownership in five of these CUSOs and are they are utilized to strengthen our relationships with our members as well as the Select Employee Groups we serve. These CUSOs have been instrumental in collectively providing net income that is used to offset the share insurance assessment. Using our CUSO net income for this purpose allows us to not penalize our members for losses incurred within the corporate credit union system. Our CUSOs are closely aligned with our mission, "To help our members make smart financial choices" and play an integral part in providing complete services to our members and Select Employee Groups.

CUSOs do not present systematic risk to the insurance fund as has been presented. Our current CUSO investments could all fail and Allegacy would still be an adequately capitalized credit union. Additionally your one example deals with Business Lending. Credit Unions are required to underwrite all business loans regardless of their origination. Allegacy has always underwritten all of our business loans and monitored them closely whether performed in house or through a participation partner. Merely extending these requirements to all federally insured credit unions would provide coverage to the one instance in which a CUSO failure impacted the share insurance fund.

We are very concerned that the proposed disclosures and regulations will stifle the innovation that is so desperately needed. We require our multi-owned CUSOs to be owned by other credit

unions or entities that have a direct relationship with selling the services or products of the CUSO. Your actions may cause credit unions to withdraw from investing in CUSOs. This would severely limit credit unions abilities to leverage CUSOs to reduce operating expenses or provide noncore income to offset the low margins we are experiencing.

Please be advised we are not opposed to the current review of our CUSOs and we gladly assist our examiners when they ask for financial records of our CUSOs. We are very opposed to NCUA hiring additional industry specific examiners and determining what an appropriate business plan is. Some of our individual CUSOs are still working toward profitability. However, collectively they provide over a 15% ROE and provide more than half of the net income required to offset the share insurance assessment. Your proposal may restrict CUSOs from having the necessary time to establish profitability as a startup company. The overall profitability of our CUSO is critical with fee income and interest income under the most pressure of anytime in recent history. Subjecting CUSOs to actions that could prevent credit unions from taking advantage of them would be paramount to your intentions to allow credit unions to adequately serve their members.

We are concerned about NCUA deviating from its core mission of protecting the share insurance fund. Currently only 22 bps of industry assets are invested in CUSOs. They do not present a systematic risk. We have applied the necessary resources to hire individuals with expertise in each of the industries that our CUSOs represent. These industries also have other regulatory agency oversight they are subject to. We do not foresee NCUA being able to adequately cover all of the industries that are represented without a burden on our share insurance premiums.

I hereby formally request NCUA to withdraw the proposed amendment and prevent duplicate regulatory burden to our credit union.

Sincerely,



Worthy K. Keener, Jr.
President/CEO

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