



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:

I appreciate the opportunity to comment on the National Credit Union Administration's (NCUA) proposed changes to Regulations 712 and 741. Community Business Lenders, LLC (CBL) is a member business lending CUSO located in Des Moines, Iowa. At present, CBL services more than seventy Iowa credit unions with in excess of \$100,000,000 in loans outstanding. CBL is a member of the Regional CUSO Alliance. For the reasons set forth below, CBL is opposed to the proposed amendments to Parts 712 and 741.

Of particular concern is the proposal's requirement that credit unions that invest in CUSOs sign agreements with these CUSOs stating that the CUSO will submit financial reports directly to the NCUA. If Congress wanted the NCUA to have such oversight over credit union vendors, it would have authorized such directly through legislation. The proposal references the fact that the NCUA already has the ability to examine the books of CUSOs through the same back-door approach of having investing credit unions sign agreements with their CUSOs. Thus, adding this reporting requirement would result in nothing more than the imposition of additional regulatory burden on these CUSOs.

The proposed reporting requirement will put CUSOs at a competitive disadvantage with their non-CUSO competitors. The NCUA wants CUSO to submit their business plans, balance sheets, income statements and customer lists. In gathering and holding this information, the NCUA will expose private business secrets to public dissemination through FOIA requests. CUSOs are the collaborative arm of credit unions trying to solve operational and financial issues for credit unions and credit unions should not have unnecessary hurdles placed in their path as they seek solutions to their sustainability.

CUSOs help credit unions earn and save millions of dollars under the current regulatory model. There is no evidence that CUSOs pose a systemic risk to credit unions that requires regulatory change. The aggregate amount invested in and loaned to CUSOs is only 22 bps of industry assets. It is inconceivable that this truly can represent "systemic risk" to the industry, especially when the total aggregate investment in and loans to CUSOs is considerably less than the annual corporate stabilization assessments

in any of the last three years. That being said, innovation is about risk. And a key advantage of CUSOs is they let the credit union industry take these risks collaboratively, minimizing the risk to any single institution. Many of us within the industry expect it will take significant innovation in the coming decade for credit unions to remain relevant to consumers. Credit unions need to offer the types of products and services that resonate with younger consumers, consumers in emerging markets like the Latino market, and small businesses. These are different than the products credit unions have offered in the past. If history is our guide, CUSOs are the most likely to bring these innovations to the credit union market in a wide scale manner.

There is great diversity and growth amongst CUSOs nationwide. As such, we are also concerned about 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 the staffing and operational budget of the 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.

We also question the clarity of the proposal's other terms. With respect to the proposal to have the rules apply to CUSO subsidiaries, what is meant by a subsidiary? Does a CUSO have to have controlling interest in a company or does a 1% ownership in a company make the company a subsidiary? With respect to the proposal regarding CUSO investment limits for less than adequately capitalized credit unions, what is the procedure to obtain NCUA approval to make additional investments? What are the standards of review that the NCUA will use? Is there a time period in which NCUA must respond to a request or can the request go unanswered?

Lastly, by design, many very successful CUSOs that drive significant savings and income to credit unions do not have a sizable capital structure or generate income. Operational CUSOs are designed to reduce the credit union's operating expenses. Financial service CUSOs are often formed solely for marketing or license purposes and income flows from a third party vendor directly to the credit unions. How does the 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 the 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?

Based on the points set forth above, we ask that NCUA to withdraw the proposal.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mark Kilian". The signature is fluid and cursive, with a large initial "M" and "K".

Mark Kilian
CEO, Community Business Lenders