



September 21, 2011

Mary Rupp, Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428  
Email: [regcomments@ncua.gov](mailto: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 The Cornerstone Credit Union opposes the above referenced amendment to the NCUA Regulations regarding Credit Unions Service Organizations (CUSOs).

As a credit union that partners with at least one CUSO, we are concerned that the proposed amendment will significantly impact our ability to offer our members competitive financial services.

For example, we partner with TMG Financial Services (TMGFS), a third-party agent issuer who owns and manages our credit card portfolio. As a CUSO, we know TMGFS has developed a product that puts our members first. It's why we chose them when we thoughtfully and deliberately made the decision to sell our credit card portfolio. TMGFS was able to provide a service that was better than what we could provide at the time of sale and into the future. In turn, we were able to focus on our core competencies and work to ensure we were truly enriching the financial wellbeing of our members. Today TMGFS is the only credit union owned purchaser of credit card portfolios. Without this CUSO option our credit union's only sale option would be to sell these assets outside the credit union industry to a large bank provider.

Under the proposed amendment, we wonder if such a credit union-centric program would remain available to us. It's not that we don't understand the need for oversight, but that it is already inherent in any transaction with a CUSO. Each time a credit union loans, participates or invests 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.

We do understand this amendment has its roots in recent industry events, but we believe it is not the solution necessary. The long-term ramifications outstrip any short-term benefits, and frankly, we cannot see any. 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 respectfully ask the NCUA to withdraw the proposed amendment.

Sincerely,



Gary Key  
CEO

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