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September 23, 2011

Ms. Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

RE: CUSO Regulation (12 CFR Parts 712 and 741)

CitizensFirst Credit Union opposes the NCUA's proposed revisions to the CUSO Regulation (12 CFR Parts 712 and 741).

We believe that the NCUA's information disclosure and regulation of CUSO's 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. We also believe that these proposed revisions will not provide any recognizable regulatory value beyond what already exists, especially for CUSOs that are regulated by other financial services regulators (e.g. SEC and insurance regulators).

The NCUA's legal authority to approve the proposed regulatory changes is suspect. The NCUA does not have regulatory authority over CUSOs to provide financial information directly to NCUA, which NCUA will retain and evaluate. This looks and feels like vendor authority and direc5t regulation of CUSOs which has not been authorized by Congress.

By imposing regulatory burdens on them, CUSOs are put at a competitive disadvantage with non-CUSO competitors. The NCUA wants CUSOs to submit their business plans, balance sheets, income statement and customer lists. In gathering and holding this information, the NCUA puts CUSOs in a competitive disadvantage by exposing private business secrets to public dissemination through FOIA requests. Please remember that CUSOs are the collaborative arm of the credit unions trying to solve operational and financial issues for credit unions and, therefore, credit unions should not have unnecessary hurdles placed in their path as they seek solutions to their sustainability.

example, 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. In fact, each credit union's CUSO investment risk is less than 1% of its assets. The NCUA cannot make the case that CUSOs had anything to do with the financial difficulties in the credit union industry.

Today, credit unions are faced with tremendous challenges and need to become more efficient and lower their operating costs, find new or non-traditional sources of revenues, increase their efficiency, be creative and innovate, and apply new or emerging technologies. 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. The proposed regulations would inhibit CUSO innovation and collaboration, by replacing value and service factors with regulatory compliance and information disclosure as major considerations in deciding to invest in a CUSO. Finally, given the current economic conditions, competitive environment, and recent regulatory developments affecting payment card networks and card issuers, the NCUA's proposed revisions to the CUSO regulations could not come at a worse time.

We ask that you oppose the CUSO regulations due to the facts stated above.

Regards,

Robert Matz
Co-President
Vice President of Finance