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

**RE: Comments to the Proposed Amendments to the NCUA CUSO Regulations
12 CFR Parts 712 and 741**

Dear Ms. Rupp:

This comment letter is presented by Citadel Federal Credit Union in response to NCUA's call for comments to proposed amendments to the Agency's CUSO regulations. Citadel Federal Credit Union opposes the proposed amendments.

Citadel is a federally chartered credit union in Pennsylvania with assets exceeding \$1.6 billion and, as such, is one of the largest community chartered credit unions in Pennsylvania.

CUSOs provide a mechanism for Citadel and other credit unions to leverage financial and operational resources in a cooperative environment to gain economic benefits which would not be achievable on our own. These benefits inure directly to our members. Citadel maintains CUSO relationships to provide many financial services to our members including investments, insurance, technology, online banking, debit and credit card processing, auto lending, as well as others.

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. Each credit union's CUSO investment risk is less than 1% of its assets. In addition, NCUA is already capable of examining the books and records of CUSOs and exercise full leverage over the credit union owners to resolve any safety and soundness issues.

Federally insured credit unions are already required to comply with due diligence responsibilities with regard to CUSOs. These include performing an adequate review before becoming involved with a CUSO. These responsibilities also include undertaking subsequent, ongoing reviews on a periodic basis to ensure that the CUSO is providing the intended services and does not present an undue risk that threatens its performance or poses a threat to the operations of its credit unions. Rather than issuing new requirements, the agency should focus on targeting problem areas and implementing existing requirements, such as due diligence.



By imposing additional regulatory burdens, CUSOs risk being put at a competitive disadvantage with non-CUSO competitors. NCUA wants CUSOs to submit their business plans, balance sheets, income statements and customer lists. In gathering and holding this information, NCUA puts CUSOs in a competitive disadvantage by exposing private business secrets to public dissemination and scrutiny through Freedom of Information Act requests. The role of CUSOs is significant in providing a collaborative framework for credit unions to solve operational and financial issues and provide service to our members. These proposed regulations will place unnecessary hurdles in a credit union's ability to provide these services.

In considering our comments on these proposed changes, Citadel also is concerned with the cost to NCUA to apply this new authority as well as the cost to CUSOs to comply. Conceivably, NCUA would experience staffing and operational costs relative to hiring experts knowledgeable in every type of business in which CUSOs engage. These costs could be staggering.

We believe that these proposed regulations could have unintended consequences impacting the savings and income that credit unions derive from CUSOs and respectfully request that NCUA withdraw the proposed Amendment.

Sincerely,



Kevin C. Quinn
Senior Vice President
Community & Governmental Affairs