



November 20, 2017

Gerald Poliquin, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: Findings and Recommendations of NCUA's Regulatory Reform Task Force

Dear Mr. Poliquin:

PSCU is a credit union service organization ("CUSO") and a cooperative built, owned, and governed by credit unions. We provide credit and/or debit processing services, as well as other services, to the 850+ credit unions that we serve. On behalf of our member-owner credit unions and those that we serve, PSCU commends the National Credit Union Administration ("NCUA" or "Agency") for voluntarily complying with President Trump's regulatory reform agenda and Executive Order 13777, and establishing a Regulatory Reform Task Force (the "Task Force") to conduct an exhaustive review of the NCUA's existing regulations in order to identify those that, consistent with the spirit of Executive Order 13777, should be repealed, replaced, or modified.

While PSCU strongly supports many of the actions proposed by the Task Force in its initial report that was submitted to the NCUA Board in June 2017, comments and suggestions herein are primarily confined to those issues that directly or indirectly involve CUSOs.

Expansion of Permissible Activities That a CUSO May Provide under NCUA Rules and Regulations Part 712.5

Part 712.5 lists the permissible services that a CUSO may provide. Originally, Part 712.5 was created as a categorical list of preapproved activities a CUSO may provide; however, the list was not meant to be an exclusive laundry list of activities. In fact, in the preamble to the 2001 Amendment to Part 712.5, the NCUA Board clarified that "[t]he specific activities listed within each preapproved category are provided in this section as illustrations of activities permissible under the particular category, not as an exclusive or exhaustive list" (see Fed. Reg. Vol. 66, No. 36). As the regulation itself clearly anticipates periodic redefining of permissible CUSO services, we respectfully suggest that the time to expand and clarify CUSOs' loan origination powers is now. PSCU proposes that the permissible activities to be conducted by CUSOs in Part 712.5 be expanded to include "loan origination of all types of loans that may be provided by a credit union." With this more encompassing, unambiguous definition, the specific origination authority for business loans, consumer mortgage loans, student loans, and credit card loans would no longer be required.

PSCU believes that the wellbeing of the credit union industry depends upon the capability of meeting the service and convenience expectations of our credit unions' member-owners, which in turn requires credit unions to expand their spectrum of capabilities. Clarifying confusing rules and eliminating an unfair impediment to the development of cooperative solutions by credit unions can only prove beneficial to member service and the health of the credit union industry.

Combination and Simplification of Lending Rules

Since CUSOs are intricately involved in many credit union lending operations, we also have comments on proposals relating to the lending process. The proposals to combine and simplify lending rules would be

helpful to the industry. Credit unions are often confused about their regulatory authority due to the piecemeal organization of the various lending rules. Likewise, we feel that enhancing the federal preemption when possible to ensure that federal credit unions in multi-state situations have an easier and clearer regulatory framework would reduce credit union costs, benefitting both credit unions and their member-owners.

Discontinuation of *De Facto* CUSO Examinations in the Form of CUSO Reviews

Since the enactment of their most recent CUSO regulation in 2013, the NCUA has exercised *de facto* examination powers over CUSOs – the power to compel CUSOs to report directly to the NCUA and the power to compel CUSOs to comply with NCUA directives through their credit union owners. We respectfully believe that this exercise of power is without specific congressional authority. This regulatory review process provides an opportunity for the NCUA Board to revisit the issue, reanalyze whether the regulation is truly consistent with existing statutory authority, and revise its regulations accordingly in a manner that leaves no doubt that the Agency is acting both within its authority, and also consistent with the need for safety and soundness supervision of credit union CUSO investments.

We hope that the NCUA will use this regulatory review process to continue to compile necessary data on the investment of credit unions in CUSOs through its registry, but that the Agency would elect to discontinue the conducting of *de facto* CUSO examinations in the form of CUSO reviews. This is an ideal opportunity to make this reasonable shift in approach that would be consistent with the Agency's statutory authority, while still allowing it to gather the data necessary to monitor CUSO investment through the credit unions which the NCUA does indeed have the authority to supervise as regulator and/or insurer.

Conclusion

PSCU appreciates the opportunity to comment on the actions proposed by the Task Force in its initial report submitted to the NCUA Board and thanks the NCUA for its voluntary and proactive establishment of the Task Force for the purpose of conducting an exhaustive review of the NCUA's existing regulations in order to identify those that should be repealed, replaced, or modified.

Respectfully submitted,



Steven A. Salzer
SVP, Legal and Enterprise Risk