May 19, 2014

MAY20'14 PM 1:08 BOARD

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Comment to Proposed Prompt Corrective Action – Risk-Based Capital Regulation

Dear Mr. Poliquin:

We wish to join with the numerous commenters who have posted before us (among which include NACUSO, CO-OP Financial Services, and Business Lending Group, LLC) to strongly take issue with your proposal to assign an across-the-board **250%** risk weight to a credit union's investment in any credit union service organization ("CUSO"), and urge that it be reduced.

Founded in 1994, CU Direct Corporation ("CUDC") is one of the largest and most successful national CUSOs. Its Credit Union shareholders number 99, none of which hold greater than a 5% interest. CU Direct has paid an above-market dividend to its shareholders for nine consecutive years. It offers an array of products and services that allow for economies of scale and contribute to the bottom line at Credit Unions, including direct and indirect lending, member vehicle buying support, and credit union analytical services.

A 250% risk weight suggests that, in the mind of the NCUA, any CUSO investment (without making any distinction within the universe of all CUSOs) is among the most risky assets that a credit union can legally acquire, risk-weighted at a level that is highly likely to dissuade credit unions from making or retaining such an investment. The impact of this on the continuously developing national network of innovative and cost-saving CUSOs could be devastating.

The sole NCUA comment on this within the proposed regulation is that it is "*... due to the risk of this unsecured equity investment which is almost always in a non-publically traded entity ...*" with no elaboration on that risk, as if it were self-evident – which it surely is not. The NCUA should be in a position to detail and expand on the empirical data that propels it to this position, but it does not. We understand that there is not a public market for CUSO investments and that these investments are generally not liquid, thus a risk weighting of 100% is reasonable.

A 250% risk rating assumes that there is operational risk to credit unions beyond the investment itself. Arbitrarily factoring in operational risk regardless of the type of CUSO is excessive, especially in the case of multi-owned, well-capitalized CUSOs.

Thank you for the opportunity to comment.

Regards,

Tony Boutelle
President & CEO