



June 29, 2012

Chairman Debbie Matz
Board Member Christine Hyland
Board Member Michael Fryzel
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Additional Comments to the Proposed
Amendments to the NCUA Regulations re: CUSOs
12 CFR Parts 712 and 741

Dear Chairman Matz, Board Member Hyland and Board Member Fryzel:

The NACUSO Board of Directors notes that the NCUA Board in June postponed immediate consideration of the above referenced amendment to the CUSO Rule. We commend the Board for deferring consideration on this matter and believe this will provide more time to fully evaluate and consider the potential impact of all aspects of the proposal. This is a prudent decision for which the Board deserves and receives the appreciation of NACUSO.

Since NACUSO submitted its comments in August last year, NCUA has initiated an enhanced review process of certain types of CUSOs. In our view, this seems to indicate that the agency is in a position to gather the data it has stated that it needs for risk evaluation purposes without the many concerns expressed by NACUSO and several hundred other commenters about the scope of the proposed rule.

We have been advised by NCUA that the agency is particularly concerned about CUSOs that provide lending services, IT services and trust services to credit unions. NCUA has stated that, in its view, these CUSOs have the most potential to create critical risk to their credit union owners and clients.

The number of CUSOs that provide lending services, IT services and trust services to credit unions is not at all a large segment of the CUSO community. These CUSOs can be easily identified and managed by NCUA through the supervisory process and some reasonable expansion of 5300 Call Report data collected. We note that most CUSOs providing lending services do not lend directly themselves but provide collaborative back office support to the credit unions that are actually doing the lending. NCUA already sees these loans on the books of the credit unions they regulate and has complete supervisory authority through its ongoing examination process of the credit unions holding the loans.

Under the current rules, a CUSO must provide NCUA access to its books, records and internal controls as a condition of the power of credit unions to invest in a CUSO. It is our understanding that the CUSOs contacted by NCUA have fully cooperated with NCUA in the review process.

The CUSOs contacted by NCUA have answered written questions, voluntarily hosted examiners on site and provided requested documents because, frankly, wish to be cooperative on behalf of their credit union owners. This demonstrates that NCUA already has the legal tools and the cooperation of the industry to adequately manage credit union risk, rendering additional regulatory action superfluous; and, equally as importantly, CUSOs are cooperating through the influence of their regulated credit union owners.

We believe this cooperation should be a major consideration in the NCUA Board's decision as to whether and, if so, how to proceed with this proposed regulation. Hopefully, the decision to defer action at this time will lead the agency toward a non-regulatory solution to any of its reasonable concerns about CUSOs. While we acknowledge that a CUSO has the capability of posing a risk to a credit union owner or client, we believe that a vigilant NCUA is more than able to identify and reduce the risk to credit unions and the share insurance fund under the current regulatory framework. Certainly the risk of the 22 basis points of CUSO investments is not at a level that poses a serious systemic threat to the credit union industry as a whole.

In closing, NACUSO would like to again express its concern that the lack of statutory vendor authority casts serious doubt upon the authority of NCUA to impose direct reporting responsibility and, through it, *de facto* regulation upon CUSOs. We hope that this is a concern of the Board and feel that it would be prudent that this legal issue be seriously evaluated by the agency's legal staff prior to proceeding with a regulation. NCUA can avoid criticism that can come by allegations of overstepping legal authority and passing a regulation that is currently not necessary to accomplish the end goals of NCUA. A wait and see approach seems the most prudent course of action.

NCUA has demonstrated through its own success in gathering data that CUSOs are willing to voluntarily provide information directly to NCUA. NACUSO, as an organization, has encouraged a cooperative relationship from CUSOs and CUSO owners with reasonable NCUA requests for pertinent data. We will continue to do so in recognition of the growing role of CUSOs as leaders in the innovation and collaborative arm of the credit union movement.

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It would certainly be much less costly for NCUA as an agency to receive data voluntarily through existing authority that can be effectively analyzed for any safety and soundness concerns than to be required to put in place the support personnel to forcibly gather data, examine and maintain subject area expertise in every arena of CUSO operation in order to enforce what we believe to be an unnecessary regulation.

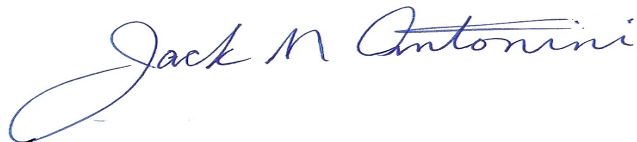
We would note that, if NCUA ever did have a significant problem obtaining necessary information from a particular CUSO or CUSO owner, it can include its CUSO findings/concerns in a credit union owners examination process. If examination issues remain unanswered to the satisfaction of the agency as it relates to the safety and soundness of a regulated credit union, the credit union owners can be ordered to divest. There is every incentive for CUSOs to continue to voluntarily provide necessary and reasonable information to NCUA without a rule change.

It is the position of NACUSO that regulation should only be passed that is necessary to achieve a legitimate purpose of the agency. We believe that this position is consistent with that of Congress and the President who have stated that unnecessary regulation is an unnecessary cost to our economy and our citizens. Until NCUA can show that it cannot obtain the information necessary to ascertain the potential risks to credit unions posed by CUSOs under the current rule, we feel there is no basis or necessity to change the rule.

As stated earlier, the NCUA Board is to be commended for deferring action on this proposed rule until it can be absolutely certain of its necessity, statutory authority and lack of other alternatives to achieve its public purpose. NACUSO appreciates the opportunity it has had to have input to the agency on this matter and again extends our hand to work with NCUA in its effort to make sure that, if it feels such a rule is necessary, it does it right.

We thank you for your careful and studied consideration of this important matter.

Very truly yours,



Jack M. Antonini,
President of NACUSO