



2015-16 LEGISLATIVE AND REGULATORY ADVOCACY PLAN

The National Association of Credit Union Service Organizations, NACUSO, was formed in 1985 to help credit unions explore the use of credit union service organizations and the delivery of non-traditional products and services. Today, NACUSO is the industry's home for collaborative business models, producing innovative solutions, and helps credit unions seeking collaboration as a competitive advantage. NACUSO promotes collaboration, innovation, growth and entrepreneurship within the credit union industry.

Believing that the future of credit union success in both member service and financial viability will be driven to a significant degree by the ability of credit unions to leverage collaboration as our primary competitive advantage to increase member service and decrease operating expense, NACUSO will provide strong support of all legislative and regulatory initiatives that will further those pillars of future credit union success and will oppose any that will be contrary to these goals.

Collaboration is inherent in the credit union structure as cooperatives and is one of the most powerful differentiators of credit unions from other financial service providers. Collaborative business models are effective, efficient platforms for innovative solutions because they create economies of scale, lower operating costs, spread risk and capital, as well as leverage infrastructure and intellectual capital. CUSOs are the most common form of collaborative business model in the U.S. credit union system.

To build a sustainable credit union industry long term, we must create a favorable environment for innovation and collaboration through legislative activism and regulatory advocacy. The regulatory environment either spurs or inhibits new investments by credit unions in CUSOs, both those currently providing products and services as well as those that will be developed in the future through collaboration, more than any other single factor.

The four pillars that are the driving commitment of NACUSO in examining and promoting all CUSO related positions will remain:

- Credit unions need to operate in a proactive environment that encourages them to eagerly pursue new ways to deliver a better member experience and improve the financial well-being of consumers.
- Credit unions need to operate in an environment that encourages them to seek new ways to serve member needs.
- Credit unions need to operate in an environment that is transparent to both opportunities and challenges, not restricted by hesitation to allow challenge to the status quo and rewards investment in innovation and collaboration.
- Credit unions need an environment that supports entrepreneurial incubators for collaboration and innovation that are removed from the credit union, allowing credit unions to reap the benefits of entrepreneurialism without the direct risks.

The NACUSO legislative and regulatory agenda for 2015-16 will be focused on, but not necessarily limited to, the following **key associational positions**:

- NACUSO supports the withdrawal and/or repeal of the 2013 CUSO rule as approved by the NCUA Board as it is NACUSO's position that the agency lacks the statutory authority to establish *de facto* examination of CUSOs and that there has been no documented evidence presented of significant CUSO losses sufficient to justify to such an over-extension of agency authority and to perhaps have a subsequent chilling effect on industry collaborative initiatives through CUSOs.
- In conjunction with or should there be an unwillingness of NCUA to withdraw or repeal the CUSO rule, NACUSO supports the issuance of specific limiting guidance to CUSOs, their credit union owners and NCUA examiners specifying the method and scope of CUSO reviews – which NACUSO views as *de facto* examinations – with a goal toward restricting the intrusion into CUSO operations and business models to absolutely necessary data gathering to support the safety and soundness responsibility of NCUA as it relates to the federal credit unions they regulate and the federally insured credit unions they insure.
- NACUSO opposes any legislative efforts by NCUA to gain statutory authority to directly regulate and examine CUSOs through an unnecessary expansion of the agency's examination authority over credit union vendors.
- NACUSO supports the risk weighting of all CUSO investments and loans at 100% in any risk-based capital regime approved by the NCUA Board and implemented to be applicable to federally insured credit unions and opposes, as unsupported by any demonstrated facts of significant CUSO losses and as potentially negative in its impact on future CUSO investment, any risk-based capital regime that risk weights CUSO investments and loans at any level above 100%.
- NACUSO supports expanding the services a CUSO can offer.
- NACUSO will encourage regulators to adapt their supervision to accommodate new services and processes to minimize cost, disruption and over-reaching regulation.
- NACUSO opposes any legislative efforts to risk based NCUSIF premiums as unnecessary based upon the strong financial position of the credit union industry, its successful navigation of the recent financial crisis with the NCUSIF in a well-capitalized position over a 1.2% equity ratio throughout the entire period of 2008-2014 and the transfer of needed capital investment dollars to NCUSIF premiums to the detriment of the innovation and market responsiveness required to keep credit unions viable and competitive – including investment dollars in collaborative enterprises such as CUSOs.

Other issues of importance to CUSOs and their credit union owners could arise during the course of 2015-16 that would have a potential impact, either positively or negatively, on fostering credit union collaboration, innovation, growth and entrepreneurship. NACUSO will not hesitate to take a position, through board approved action, on these issues as they arise.

Strategies for 2015-16

- NACUSO will prioritize the establishment of a viable advocacy fund with contributions from CUSOs, credit union owners of CUSOs and other supporting organizations that will enable the association to maintain an effective advocacy presence in Congress, at NCUA, at CFPB, at other federal agencies and at the state level.

- NACUSO does not seek to allocate its advocacy fund dollars to legal action in an attempt to overturn or diminish the impact of the 2013 CUSO rule, preferring a positive advocacy approach designed to bring about changes in either the rule itself or significantly restricting its implementation approach; however, NACUSO does not rule out the possibility of legal action if it is determined by the Board of Directors to be necessary for the protection of CUSOs, or the industry itself, and credit union collaborative opportunities.
- Any legal research or legal opinions gathered by NACUSO during the course of its advocacy efforts and funded through the advocacy fund will be in the discretion of the CEO as to how they will be used to support the advocacy initiatives of NACUSO with subsequent reporting of their usage and to whom they were made available to the NACUSO Board at the next regular NACUSO Board meeting.
- NACUSO will seek to maintain ongoing dialogue with NCUA on the 2013 CUSO rule, alternatives should it be withdrawn or repealed and – where possible – acceptable data gathering collaborative initiatives between NCUA, NACUSO and NACUSO members that can benefit NCUA in its credit union safety and soundness monitoring and also benefit CUSOs in making more publicly available the benefits, savings, earnings and innovation provided by credit union investment in CUSOs.
- NACUSO will utilize its ongoing dialogue with NCUA to influence their approach to implementing the CUSO rule, should they elect not to withdraw or repeal it, in a manner that is the least disruptive possible, protects the competitive position of CUSOs, requires the minimum – if any – time actually on site at CUSO offices and minimizes regulatory burden on CUSOs and the credit unions that invest in CUSOs.
- NACUSO will maintain an advocacy presence through its leadership, its members and – when necessary – third party contracted organizations, with federal congressional leaders, state legislators and state regulators with potential impact on CUSO-related issues.
- NACUSO will focus its congressional advocacy presence on increasing their awareness of CUSOs, their advantages and their value in an advance effort to establish standing that will benefit CUSOs and their credit union owners on legislative matters.
- NACUSO will provide official comment letters to NCUA on any regulatory initiative that may positively advance the four pillars listed above or adversely impact the four pillars, will endeavor to comment early for maximum exposure and impact of the NACUSO position and will provide assistance to NACUSO members, CUSOs and credit unions investing in CUSOs to help those entities shape their comment letters on the same issues.
- NACUSO will engage with members of Congress, as it establishes the value of CUSOs with them, to oppose the NCUA vendor authority and risk-based insurance premium initiatives in Congress and to encourage congressional support to influence NCUA to lower the CUSO risk-weighting in any final risk-based capital rule to 100%.
- NACUSO will proactively provide its position on key issues to trade press in order to build greater awareness of NACUSO's leadership on these issues and to help influence the decision making process through generating public awareness and support of the NACUSO position.
- NACUSO will monitor additional issues, both through its organizational resources and those third parties with which it partners, that could develop during the course of this plan in order to evaluate their appropriateness for NACUSO taking a position, writing a comment letter, applying Advocacy Fund dollars or including the issue into this plan.

- NACUSO will focus its advocacy efforts on those issues most crucial to the CUSO community as a whole and will attempt to avoid watering down its message on key issues by taking public positions on all issues that may impact CUSOs or credit unions in a more indirect manner.

In the current environment it has become increasingly important for credit unions to find new sources of non-interest income in order to enhance earnings, build capital, and maintain necessary growth. Thus, collaboration and innovation are more critical now than ever before to create sustainability for the credit union movement. NACUSO educates the industry as a whole (CUSOs, credit unions and other providers) on the benefits of collaboration and innovation, facilitates cooperative business opportunities, and provides leadership on how to implement these strategies within a favorable legislative and regulatory environment.

It is the desire of NACUSO to be recognized as an effective organization in support of building a favorable legislative and regulatory environment through what we consider **the four pillars of future credit union success - collaboration, innovation, growth and entrepreneurship**. NACUSO will be balanced in approach, but bold in action to aggressively promote this agenda and will seek to join with other like-minded organizations, when appropriate, to work in collaboration with NACUSO to see these key agenda items accomplished.