



August 5, 2015

The Honorable Mitch McConnell
Majority Leader
The United States Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Harry Reid
Minority Leader
The United States Senate
522 Hart Senate Office Building
Washington, DC 20510

Dear Majority Leader McConnell and Minority Leader Reid:

On behalf of the National Association of Credit Union Service Organizations ("NACUSO"), I am writing in opposition of the Amendment offered by Senator Warren (No. 2607) which would grant the National Credit Union Association ("NCUA") authority to supervise third party vendors, including credit union service organizations that help the credit unions better serve their members. NACUSO represents credit unions and credit union service organizations ("CUSOs"). CUSOs are organizations owned by credit unions that enable credit unions to share back office operations to lower costs of operations. The more credit unions can save in operational costs, the more of those savings credit unions can pass on their members through higher returns on savings and lower loan rates.

NACUSO opposes the amendment because it is unnecessary and would significantly increase the regulatory burdens to which credit unions are subject. NCUA is funded by assessing credit unions which are non-profit financial cooperatives. It is the credit union members that pay for NCUA's operations. NACUSO believes that the costs of regulation should only be imposed if the reasons are compelling. No such reasons exist here.

We note that despite the fact that credit unions merge at an annual rate of between 250 and 300 per year, NCUA has increased its budget in the past five (5) years by over 75% and the NCUA staff has increased over 35%. NCUA now wants to extend its authority over the hundreds and hundreds of credit union vendors without any restrictions. If passed NCUA would not only have authority over core processors, NCUA would also have examination authority over landscapers and janitors.

We respectfully submit that NCUA already has extensive opportunities to view vendor relationships. Despite not having regulatory authority over CUSOs, NCUA has required credit unions to compel their CUSOs through contractual duties to directly report information to the agency. NCUA also compelled CUSOs to open their books and records to NCUA examiners. There have been no issues that we are aware of where CUSOs have denied access to NCUA examiners. As to non-CUSO third party vendors, many of the critical vendors are already being examined by other banking regulators. The results of those examinations are made available to NCUA through the FFIEC. The reason for the FFIEC is prevent costly and unnecessary duplication of effort by multiple regulators, the very duplication that NCUA is now advocating.

NCUA is attempting to greatly extend its regulatory authority without a compelling reason. The additional costs to credit unions and their 100 million plus members is cannot be justified.

Very truly yours,

A handwritten signature in blue ink that reads "Jack M. Antonini". The signature is fluid and cursive, with a large loop at the end of the name.

Jack M. Antonini
President and CEO