



2019-20 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 and 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 innovation and collaboration. A favorable regulatory climate is crucial to the ability of credit unions to fully reap the benefits of innovation and collaboration.

The four pillars that are the driving commitment of NACUSO in examining and promoting all CUSO related positions will remain **collaboration, innovation, growth and entrepreneurship** in the following environment:

- Credit unions need to operate in a proactive environment that encourages them to eagerly pursue new innovative ways to deliver a better member experience and improve the financial well-being of consumers.
- 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 2019-20 will be focused on, but not necessarily limited to, the following **key associational positions**:

- NACUSO supports the monitoring of clear examination guidelines that recognize the reality that NCUA has limited congressionally approved review powers and does not have examination powers over CUSOs. Such guidelines would inhibit *de facto* regulatory creep that would treat CUSOs as regulated entities that would discourage innovation and

collaboration. NACUSO will intervene with NCUA in the more egregious cases if the CUSO or the investing credit unions request NACUSO's assistance.

- NACUSO opposes any legislative efforts by NCUA to gain statutory authority to directly regulate and examine CUSOs through what NACUSO feels strongly would be an unnecessary expansion of the agency's examination authority if extended to all credit union vendors.
- NACUSO supports the ongoing review of the permitted CUSO services list and expanding the services a CUSO can offer if the services provide benefits to credit unions and credit union members. At this time, we are proposing at a minimum that NCUA update the CUSO permissible activities to include all loan categories credit unions are authorized to originate, to bring scale, risk mitigation and expertise benefits to credit unions.
- NACUSO will encourage regulators to view innovation and collaboration as a necessary part of a revitalized credit union model and adapt their regulations and supervision to encourage the responsible and prudent development of the collaborative model.

Other issues of importance to CUSOs and their credit union owners could arise during the course of 2019-20 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 2019-20

- NACUSO will continue to promote 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 CUSO focused advocacy presence in Congress, at NCUA and at CFPB, as well as other federal agencies and at the state level as necessary.
- NACUSO will utilize its continuing dialogue with NCUA to influence their approach to ongoing monitoring of the implementation of the CUSO rule in a manner that is the least disruptive possible, protects the confidential information and 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 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 and other regulators having an impact on CUSOs and credit unions 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 to vigorously oppose any NCUA legislative efforts to secure congressional authority for third-party vendor authority as unnecessary, costly and burdensome over-reach of the agency's mission.
- 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.
- NACUSO will advocate for CUSOs and credit unions regarding issues that arise from the NCUA's Reviews of CUSOs if the issues have industry-wide applicability.

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.

Through these efforts NACUSO will continue 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.