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TO: Mary Rupp

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May 23, 2005

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Proposed change to the CUSO Regulations, 12 C.F.R. Part 712

Dear Ms. Rupp:

I am writing this letter on behalf of the National Association of Credit Union Service Organizations ("NACUSO") to comment on the proposed change to the CUSO regulations, 12 C.F.R. Part 712.

First, NACUSO desires to voice its support for the proposed change allowing wholly owned Credit Union Service Organizations ("CUSOs") to submit a consolidated financial statement with their parent credit unions. NACUSO would suggest that the regulation provide further flexibility to credit unions and CUSOs by permitting those credit unions owning a majority interest (in excess of fifty percent (50%)) in a CUSO to file a consolidated financial statement with its parent majority owner. This modification would create relief to a broader scope of CUSOs without creating a safety and soundness issue.

Further, NACUSO respectfully requests that the NCUA consider two additional modifications to the CUSO regulations. NACUSO suggests the CUSO regulation be amended to add consumer lending and finder activities as pre-approved CUSO activities. NACUSO believes that by credit unions collaborating through CUSOs we can provide additional solutions to many of the challenges facing our industry and particularly solutions to support our smaller credit unions. In addition, CUSOs provide the added benefit of creating industry based options for these challenges. As you know, CUSOs already have the power to issue mortgage loans, member business loans and student loans. There is no compelling rationale to exclude consumer lending from the list of pre-approved CUSO services. Such a power could be useful for indirect lending and other consumer loans where pooled resources and risk management considerations may make it more advantageous to use a CUSO as the lender. The addition of this power will also enable credit unions to form CUSOs to buy credit card portfolios. Currently, credit unions do not have a credit union related choice if they desire to sell their credit card portfolios. Their only option is to sell the portfolio to banks and other non-credit union buyers. Selling credit union loan portfolios to banks will enable banks to cross-sell their other services to credit union members. It is our desire to empower credit unions to maintain services to their members and have access to solutions within the credit union community.

Second, it is our position that CUSOs should enjoy the finders activity power as is permitted by credit unions. As competition increases, we need to expand the ability of our credit unions to work together to create economies of scale through group purchasing. CUSOs provide the vehicle to make this happen. There is no regulatory purpose served by permitting a credit union to receive revenue from incidental powers while prohibiting a CUSO from doing the same. The concept of group purchasing is permitted by CUSOs for insurance services but not for other services. This discrepancy does not appear to have any basis. A credit union should have the option to outsource the incidental powers function to its CUSO, including enabling a CUSO to assist other credit unions in providing services. The requirement of the CUSO to primarily serve members will maintain CUSOs business focus on credit unions and/or credit union's members.

Thank you for your consideration of these additional issues facing credit unions and CUSOs. If you have any questions, please feel free to contact me.

Very truly yours,

GUY A. MESSICK
NACUSO General Counsel

KEW:jdk