

May 4, 2005

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

Re: CUSO Financial Statement Audit
Requirements

Dear Ms. Rupp:

Navy Federal Credit Union provides the following comments on the proposed changes to NCUA rules concerning credit union service organizations (CUSOs).

Navy Federal supports the proposal to revise the rule so that a CUSO that is wholly owned need not secure its own public accounting firm financial statement audit if it is included on a consolidated basis in the audit of the Federal credit union (FCU) itself. We believe that reducing the number of audited opinions will reduce the burden on staff and financial resources but will not reduce the integrity of the financial statements. In addition, having a single audit would decrease the number of audit firms an FCU must work with, reduce the risk of errors between the audit firms, and ensure consistency of reporting.

Navy Federal also believes that NCUA should allow for a consolidated audit where an FCU owns a majority share of the CUSO. We believe this should be an available option and that the cooperative members of the CUSO should have the discretion to decide when a consolidated audit is appropriate. Generally accepted accounting principles (GAAP) permit consolidating statements when the parent owns greater than 50 percent of the subsidiary and we believe this standard is appropriate for FCUs.

We appreciate the opportunity to provide these comments on the proposed changes to the NCUA rules concerning CUSOs.

Sincerely,



W.A. Earner
Acting President

CD/tg