

**ATTENTION: CREDIT UNION CEOs!**

**NCUA Proposed Rule for Credit Union Service Organizations (CUSOs)**

The New Jersey Credit Union League is seeking comments from credit unions regarding the NCUA Board's July 21<sup>st</sup> decision (<http://1.usa.gov/p3ov26>) to put forth a proposal amending 12 C.F.R. Part 712 to expand reporting requirements for credit union service organizations (CUSOs).

The proposed rule would require all CUSOs to file financial reports directly with NCUA and, if a federally-insured state-chartered credit union (FISCU) has invested in or made loans to the CUSO, the appropriate state supervisory authority (SSA). Any CUSO subsidiary would also have to comply with the regulation as though it were a CUSO if the rule is finalized as proposed.

In addition, the proposed rule would require FISCUs to comply with certain requirements regarding CUSOs that federal credit unions (FCUs) must currently meet, such as requiring a CUSO to agree to follow NCUA rules on accounting and allow supervisory access to its books and records, and making FISCUs subject to NCUA's CUSO investment limitations for less than adequately capitalized credit unions.

The League is seeking comments from New Jersey Credit Union leaders. Your opinion is extremely valuable and the League urges you to review NCUA's proposal closely.

The National Association of Credit Union Service Organizations (NACUSO) has provided a Regulation Reference Points document (<http://bit.ly/n1CAOI>) as well as a sample comment letter (<http://bit.ly/ph6jyS>) you are encouraged to use.

Please return your comments to the League by close of business, September 16, 2011. Comments to the League should bear the subject line: **CUSO** and may be sent by email to [nfoggie@njcul.org](mailto:nfoggie@njcul.org). Questions should be directed to Nicola Foggie, Director of Compliance, 1-800-792-8861, ext. 112.

NCUA's deadline for comments from the public is September 26, 2011.

**Highlights of the proposal according to CUNA's analysis:**

[http://www.cuna.org/download/rcc\\_080211.pdf](http://www.cuna.org/download/rcc_080211.pdf)

- The proposed rule would require FISCUs to comply with certain requirements regarding CUSOs that federal credit unions (FCUs) must currently meet.
- CUSOs that are owned by or borrow from FISCUs must already comply with Section 712.3(d)(3) (requiring CUSOs to provide NCUA and state regulators with "complete access to any books and of the CUSO and the ability to review CUSO internal controls ...") and Section 712.4 (requiring CUSOs and credit unions to maintain separate corporate identities) of NCUA regulations. According to the agency, this proposal is necessary because of the lack of accurate and complete financial information about CUSOs "and



their potential impact on the NCUSIF.” The Board also said it is concerned about undercapitalized credit unions investing in CUSOs.

- NCUA used to have statutory authority to examine CUSOs that were owned by or borrowed from FICUs under former Section 206A of the Federal Credit Union Act, 12 U.S.C. § 1786a, as added by the Examination Parity and Year 2000 Readiness for Financial Institutions Act. Pub. L. No. 105-164 (1998).
- NCUA’s Section 206A authorities expired on December 31, 2001. NCUA is therefore relying on its more general powers under the Act regarding safety and soundness requirements for FICUs as the statutory basis for this rule (as it did in its 2008 revisions to its CUSO regulations).

More information will be forthcoming and will be available in the League publications and on the Web site at <http://www.njcul.org/comment-calls.aspx>.

