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December 10, 2018

Ms. Dawn Wolfgang
PRA Clearance Officer
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: Comments on Agency Information Collection: Credit Union Service Organizations;
OMB Number: 3133-0149

Dear Ms. Wolfgang:

On behalf of America's credit unions, I am writing the National Credit Union Administration (NCUA) in response to its notice and request for comment on the agency's information collection regarding credit union service organizations (CUSOs). The Credit Union National Association (CUNA) represents America's credit unions and their 110 million members.

Notice and Request for Comment

In conjunction with its request to the Office of Management and Budget (OMB), NCUA is seeking public comment on renewal of a currently approved information collection, as required by the Paperwork Reduction Act of 1995. Specifically, NCUA is requesting OMB approval of a change in the estimated compliance burden on federally insured credit unions (FICUs) associated with part 712 of NCUA's rules and regulations. Part 712 includes a requirement that FICUs enter into a written agreement with a CUSO that stipulates the CUSO will follow generally accepted accounting principles (GAAP), prepare quarterly financial statements, grant NCUA access to the CUSO books and records, and annually report directly to NCUA via a CUSO registry.

Since NCUA's previous OMB submission regarding this information collection, which occurred several years ago, NCUA has launched a web-based CUSO Registry system that has provided a better estimate of the number of CUSOs in existence. As a result of the total number of CUSOs being less than previously estimated, the overall burden is reduced significantly (2,666 hours) from the previous submission (11,559 hours).

While additional information regarding the calculation of this burden estimate would be helpful, we agree with NCUA that the significantly lower number of CUSOs will, or at least in theory should, result in a correspondingly significant reduction of hours necessary to

comply with the requirements detailed in part 712. We ask NCUA to continue to review these rules and regulations in an effort to achieve an even greater reduction in the compliance burden on FICUs that choose to utilize the services of CUSOs.

NCUA Oversight of CUSOs

We would be remiss if we did not include in a comment letter to NCUA on CUSOs, our longstanding position on the role of the agency in supervising and regulating CUSOs.

CUNA is a strong supporter of CUSOs and the ability of credit unions to utilize them to improve their product offerings to their members. CUSOs are one of the few outlets that credit unions have to develop innovative mechanisms to help support their operations and enhance their ability to provide the kinds of financial services their members need and want.

While there have been some regulatory changes over the years that enhance NCUA's involvement in this area, it is accepted that the Federal Credit Union Act does not provide NCUA with direct oversight authority of third-party vendors.

NCUA acknowledged this lack of authority in Chairman McWatters' recent testimony before the Senate Banking Committee as part of a hearing on the implementation of S. 2155, the Economic Growth, Regulatory Relief, and Consumer Protection Act, where he called on lawmakers to consider legislation to provide the agency with examination and enforcement authority over certain third-party vendors—including CUSOs. Chairman McWatters went on to opine that, "without vendor authority, NCUA cannot accurately assess the actual risks present in the credit union system, and determine if current CUSO or third party vendor risk-mitigation strategies are adequate to protect the system from a systemic risk."¹

We disagree with Chairman McWatters' comments regarding the need for statutory authority over third-parties. In reaction to the McWatters' comments, CUNA conveyed to the Senate Banking Committee our continued position regarding NCUA's efforts to seek additional authority to examine and regulate CUSOs and third-party vendors. NCUA has effectively managed this risk within its current regulatory authority. Credit unions are required to perform due diligence on their third-party vendor relationships, and this due

¹ J. Mark McWatters, Congressional Testimony, Senate Banking Committee Hearing on the Implementation of the Economic Growth, Regulatory Relief, and Consumer Protection Act (Oct. 2, 2018), *available at* www.ncua.gov/newsroom/Pages/testimony-written-chairman-mcwatters-implementation-economic-growth.pdf.

diligence is already subject to supervision by NCUA.² As such, CUNA opposes legislative changes aimed at establishing NCUA authority in this area.³

Conclusion

On behalf of America's credit unions and their 110 million members, thank you for the opportunity to share our comments on NCUA's OMB request regarding collection of information related to CUSOs. If you have questions about our comments, please do not hesitate to contact me at (202) 508-6743.

Sincerely,



Luke Martone
Senior Director of Advocacy & Counsel

² Letter from Jim Nussle to Chairman Mike Crapo and Ranking Member Sherrod Brown regarding Senate Banking Committee Hearing on the Implementation of the Economic Growth, Regulatory Relief, and Consumer Protection Act (Oct. 2, 2018), *available at* www.cuna.org/uploadedFiles/Advocacy/Actions/Comment_Calls,_Letters_and_Testimonies/2018/Letters/SBC%20S.%202155%20Hearing_100218.pdf.

³ CUNA's official position on NCUA authority over CUSOs and third-parties is as follows: "The Credit Union National Association opposes new statutory authority for the National Credit Union Administration Board to regulate and supervise directly Credit Union Service Organizations (CUSOs) or other third-party entities that provide products and services to credit unions." The Compendium of CUNA Policies on Legislative and Regulatory Issues, page 16, *available at* www.cuna.org/uploadedFiles/Advocacy/Priorities/State_Government_Affairs/Compendium-CUNA-Policies-Legislative-Regulatory-Issues.pdf.