OHIO CREDIT UNION LEAGUE

April 5, 2021

Ms. Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

**RE: Credit Union Service Organizations (CUSOs); RIN 3133–AE95**

Dear Ms. Melane Conyers-Ausbrooks,

The Ohio Credit Union League (OCUL) represents the collective interests of Ohio's 247 credit unions and their more than three million members. Of those 247 credit unions, 136 are federally-chartered; 65 state-chartered, federally insured; and, 46 state-chartered, privately-insured.

OCUL supports the National Credit Union Administration's (NCUA) proposed rule concerning the expansion of permissible Credit Union Service Organization (CUSO) lending activities. The proposed amendments to Part 712 of the NCUA Rules and Regulations will enable the credit union industry to navigate and guard against the economic fallout brought about by the COVID-19 pandemic, and help it remain competitive in lending spaces increasingly dominated by underregulated FinTech companies.[1]

The present moment presents an opportunity for CUSOs to play a major role in helping safe and sound credit unions, and their members, benefit from additional lending opportunities. As a result of previous rulemaking, CUSOs are proven, trusted vehicles for mortgage lending, credit cards, student lending, and business lending. They allow credit unions to manage loan portfolios more effectively and swiftly than they would be able to otherwise handle on their own.[2] The specialized nature of CUSOs, such as those focused on mortgage lending, provide the scale and expertise that allow credit unions of all sizes to serve their members and improve their experience. They have also proven to be an integral part of the industry's ability to counteract the current financial downturn.[3]

CUSOs can prove beneficial in the auto lending space as well. As has been observed in the FinTech industry, the future of auto lending is a fast-paced environment that encourages around-the-clock service to potential borrowers.[4] The need for credit unions to adapt to this reality is not new. For example, although in the past credit unions could expect their members to secure financing first when looking to buy a car, members eventually started going to the dealer first and financing became an afterthought. The dealer would then facilitate financing to the borrower through a financial institution, or servicer, with which it had a relationship. Even though some credit unions can develop relationships with such dealerships, many had difficulty doing so. As a result, CUSOs were able to step in and help credit unions manage relationships with car dealerships to remove some of the

[1] Jackie Charniga, FINTECHS SAY, IF YOU CAN'T BEAT 'EM, JOIN 'EM, AUTOMOTIVE NEWS (2020), https://www.autonews.com/finance-insurance/fintechs-say-if-you-cant-beat-em-join-em (last visited Mar 17, 2021).
[2] Steve Maloney, 10 AWESOME BENEFITS OF USING A CUSO LOAN ORIGINATION SYSTEM SYNC1 SYSTEMS (2020), https://www.sync1systems.com/10-awesome-benefits-of-using-a-cuso-loan-origination-system/ (last visited Mar 22, 2021).
[3] MBFS CUSO EXCEEDS $1 BILLION IN SERVICING ASSETS, PARTNERS WITH CREDIT UNIONS TO FUND $147 MILLION IN PPP LOANS, CUINSIGHT (2020), https://www.cuinsight.com/press-release/mbfs-cuso-exceeds-1-billion-in-servicing-assets-partners-with-credit-unions-to-fund-147-million-in-ppp-loans (last visited Mar 17, 2021), ("*Member Business Financial Services (MBFS), the CUSO formed in 2008 to assist credit unions with funding member business loans in their markets, recently exceeded $1 billion in servicing assets and helped partner credit unions fund 2,700 Paycheck Protection Program (PPP) loans for a total of $147 million.*").
[4] *See id*.

administrative burdens from the credit unions that they serve.[5]

As before, the vehicle purchasing landscape continues to shift. Members are no longer exclusively going to the dealership to buy a car. There are a multitude of car buying services and applications available to would-be borrowers. Many people do not like the time-consuming process of buying a car, and they would rather enlist someone else to do it for them. Therefore, credit unions must adapt again and develop relationships with these new car buying services or become non-competitive. The challenge is that a large nationally focused car buying model is not going to want to secure relationships with thousands of credit unions throughout the country. This once again presents an opportunity for CUSOs to help the credit union industry.[6]

If CUSOs are empowered as the lender for these national services, then those CUSOs can be the initial lender and subsequently send those loans to their credit union partners. This solution will keep such loans within the credit union industry, making the car buying process for members simpler and making auto lending accessible to credit unions of all sizes. However, this type of financial innovation can only be implemented effectively if CUSOs are permitted to originate auto loans just like credit unions. CUSOs are likely to use their ability to originate as a mechanism to secure more loans for their lending partners, preserving their indirect lending function.[7]

There are many other examples of credit unions using CUSO relationships to better serve their credit union members. For example, in Washington state where state-chartered credit union owned CUSOs are permitted to originate unsecured loans, credit unions have used CUSOs and adaptive technology to help members break the cycle of predatory payday lenders.[8] Protecting underserved members is at the heart of the credit union philosophy, and, as has happened in Washington state, we believe the proposed amendments to the CUSO rule will help federally-chartered credit unions accomplish this goal.

Another key reason this proposed rule will empower credit unions and their members is the focus on adaptability, innovation, and collaboration. We would like to stress that this is not limited to auto loans or unsecured loans. It is very important that CUSOs be able to originate loans of any type that credit unions can originate for their members. While we do not know where the next lending opportunity will be, we know that there are companies looking for credit union partners that originate solar loans, renovation loans, boat and airplane loans, etc. Therefore, because CUSOs need the flexibility to assist credit unions with all types of lending markets, it makes perfect sense to expand their lending power to match that of the credit unions they serve. For this reason, we also support the proposal to include a catchall category for other activities, as approved in writing by the NCUA, in the list of permissible activities for CUSOs (like the process for corporate CUSOs).

We would also like to urge caution when applying risk retention requirements to participation loans originated by CUSOs when the participation is being conducted with its parent credit union. Since the balance sheets of the CUSO and its parent credit union have to be consolidated according to GAAP, the participation becomes effectively nonexistent so a risk retention requirement becomes unnecessary. However, this consideration should be confined to the loan participation relationship between a parent credit union and its wholly owned subsidiary.

CUSOs are an essential financial cooperative extension, adapting and innovating in ways that may be hard for a credit union to do on its own. Therefore, allowing CUSOs to expand the scope their lending capabilities to match those of credit unions is unlikely to hurt the industry; rather, it should serve to bolster it, especially in the high-tech, fast-paced modern lending environment in which credit unions must now compete.

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[5] Jack Antonini President/CEO National Association of Credit Union Service Organizations et al., EXPANSION OF CUSO POWERS POISED FOR POSITIVE IMPACT, CU MANAGEMENT (2021), https://www.cumanagement.com/blogs/2021/02/08/expansion-cuso-powers-poised-positive-impact (last visited Mar 17, 2021).

[6] *See id.*

[7] *Id.*

[8] OLYMPIA'S QCASH GETS NEW RECOGNITION: SOUTH SOUND BUSINESS, SOUTH SOUND BUSINESS | (2018), https://southsoundbiz.com/examiner_posts/olympias-qcash-gets-new-recognition/ (last visited Mar 17, 2021).

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OCUL appreciates the opportunity to comment on the proposal regarding the expansion of CUSO powers. We believe it is in the best interests of credit unions and their members to allow CUSOs greater flexibility and scope in their lending capabilities. If you have further questions or would like to discuss OCUL's comments in more detail, please feel free to contact us at (800) 486-2917.

Respectfully,

Paul L. Mercer
President

Chris Noble
Regulatory Counsel