



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

GC/YG:sg  
4600

July 21, 1986

Office of General Counsel

Ms. Virginia Fifer  
Atlantic City Electric Company Employees  
Federal Credit Union  
P.O. Box 929  
Pleasantville, New Jersey 08232

Dear Ms. Fifer:

This responds to your letter dated June 9, 1986, to Ms. Hattie Ulan of this Office, and your letter dated May 20, 1986, to Ms. Nancy Zebniak of our Regional Office in Boston, concerning the permissibility of a Federal credit union (FCU) servicing an employer - sponsored employee loan program. The employees are members of the FCU.

According to your letters, the FCU will merely offer data processing services to the lender/sponsor. The FCU will not be compensated in excess of its direct and indirect costs of servicing the loan program. Further, the FCU will not participate in any of the decisionmaking processes concerning the acceptance and approval of applicants. Nor will any money from the FCU be used to fund any of the loans made through the loan program.

FCU participation as described above is permissible either as a group purchasing plan under Part 721, of the NCUA Rules and Regulations, 12 C.F.R. Part 721, or through a CUSO, pursuant to subsection 701.27(d)(5)(i) of the NCUA Rules and Regulations, 12 C.F.R. §701.27(d)(5)(i). If the FCU services the loan program pursuant to Part 721, then the FCU will be limited to performing only administrative functions on behalf of the vendor (the employer/sponsor in this case) and will be subject to the reimbursement restrictions contained in subsection 721.2(b)(3). If, on the other hand, the FCU services the loan program through a CUSO, it must comply with all of the provisions of subsection 701.27. In addition, the CUSO would not be subject to the reimbursement restrictions contained in subsection 721.2(b)(3)

I hope we have been of assistance.

Sincerely,

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STEVEN R. BISKER  
Assistance General Counsel

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