



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

October 20, 1986

Office of General Counsel

GC/HMU:sg
4693

Michael J. Fontanetta
Computerized Insurance Agency, Inc.
P.O. Box 518
Claremont, CA 91711

Dear Mr. Fontanetta:

This is in response to your letter of July 21, 1986, concerning the NCUA Regulation entitled "Investments in and Loans to Credit Union Service Organizations." (See Section 701.27 of NCUA Rules and Regulations, 12 C.F.R. §701.27.) You asked whether it is permissible for a CUSO (in which a Federal credit union has invested or loaned to) functioning as an insurance agency, to split commissions and/or pay an incentive or a fee to employees of the Federal credit union who hold appropriate insurance licenses.

An answer to your question can be found in Section 701.27(d)(6) of the Rules and Regulation. It states, in part, as follows:

"Conflict of interest. Individuals who serve as officials of or are employed by, an affiliated Federal credit union (as defined in (c)(1)), and immediate family members of such individuals, may not receive any salary, commission, investment income, or other income or compensation from a credit union service organization either directly or indirectly, or from any person being served through the credit union service organization."

An FCU employee licensed as an insurance agent who is working for the CUSO can not receive income (including incentives and fees) from the CUSO. This prohibition also applies to the splitting of insurance commissions. It should be noted, however that this prohibition would not prevent the CUSO from splitting insurance commissions with a CUSO employee who is not a Federal credit union employee, official or immediate family member thereof.

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Also, this prohibition would not limit the CUSO from reimbursing the FCU for use of the FCU's employee. The FCU, in turn, could provide all or part of such monies as compensation to the FCU employee.

I hope that we have been of assistance.

Sincerely,



STEVEN R. BISKER
Assistant General Counsel

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