

November 18, 1986

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Robert J. Smith, Esq.
Morgan Lewis & Bockius
1800 M Street, N.W.
Washington, D.C. 20036

Dear Mr. Smith:

You asked the National Credit Union Administration to respond to two questions:

1. What is the role of the National Credit Union Administration and under what authority does it act?
2. Is a Federal credit union a legal entity separate from its sponsoring organization?

In response to your first question, the National Credit Union Administration (NCUA) is an independent Agency, established by Congress, in the executive branch of the Federal Government (12 U.S.C. §1752a). Pursuant to the authority granted under the Federal Credit Union Act (12 U.S.C. §1751, et seq.), the Agency charters, insures and supervises Federal credit unions and insures some 9400 state-chartered credit unions.

In response to your second question, a Federal credit union is, according to the Federal Credit Union Act, a legal entity, separate from its sponsoring organization. Section 103 (12 U.S.C. §1753) lists the specific information the incorporators must include when submitting their organization certificate to NCUA for approval. The list includes characteristics typically associated with corporate entities, such as the names and addresses of the subscribers to the certificate and the number of shares subscribed by each; the initial par value of the shares; and the term of the existence of the corporation, which may be perpetual.

The organization certificate, if approved by NCUA, becomes the charter of the corporation. Section 104 (12 U.S.C. §1754) describes the effect of this approval or "chartering" by NCUA as follows: "Upon such approval the Federal credit union shall be a body corporate and as such, subject to the limitations herein contained, shall be vested with all of the powers and charged

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with all of the liabilities conferred and imposed upon corporations organized hereunder."

Section 109 (12 U.S.C. §1759) sets forth the requirements for membership, and Section 110 (12 U.S.C. §1760) addresses membership meetings. The management of the credit union is addressed in Section 111 (12 U.S.C. 1761).

The Federal Credit Union Act clearly intended the Federal credit union to be a separate entity, with no interrelationship or control exercised by any sponsor, whether the sponsor be a corporation, an association, or other entity.

While the sponsoring organization is, therefore, not normally liable for the acts of the Federal credit union, there may be a rare and isolated instance where the sponsoring organization may assume liability for the actions of the credit union. Typically this would occur in contractual matters where the sponsoring corporation is a party to some degree to the actual contract, for example, an employment contract. But generally this is not the case. I have enclosed an opinion letter addressing in general the liability of the sponsor for the actions of a credit union.

For your information, I have also included a copy of the Federal Credit Union Act.

I hope this letter has been of assistance. If you need any clarification, please call me at 357-1030.

Sincerely,

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STEVEN R. BISKER
Assistant General Counsel

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