



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

March 10, 1987

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Office of General Counsel

Mr. Jim Gray  
President  
General Telco Federal Credit Union  
P.O. Box 3408  
San Angelo, TX 76902-3408

Dear Mr. Gray:

This is in response to your letter of January 2, 1987, concerning the permissibility of a Federal credit union (FCU) receiving commissions from the sale of auto club memberships. You presented three questions in your letter. Your questions and our answers follow.

1. "Can a FCU sell auto club memberships?"

Federal credit unions may make all types of insurance plans or group purchasing plans (such as auto club memberships) available to their members pursuant to Part 721 of the NCUA Rules and Regulations (12 C.F.R. Part 721.)

2. "Can FCU's receive a commission for selling auto club memberships?"

Yes, a FCU may receive a commission for such sales, however, the amount of such a commission would be limited by Section 721.2(b)(3) to the FCU's "cost amount." The "cost amount" is defined by §721.2(a)(2) as the total of the direct and indirect costs to the Federal credit union of any administrative functions performed on behalf of the vendor. The Federal credit union must be able to justify this amount using standard accounting procedures.

3. "If the auto club was packaged and sold as an insurance contract could a Federal credit union sell and receive a commission from the sale of this contract?"

Generally, Section 721.2 merely allows an FCU to make a profit on the sale of certain insurance policies related to an extension of credit or as a promotional incentive device used to attract depositors.

Vol II A (3) Auto Club Insurance  
FCIA Vol II D Group Purchase Plans


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The auto club membership agreement forwarded to this office expressly states that the membership contract is not an insurance contract. Therefore, a FCU could not make a profit on the sale of such memberships. If, however, it was an insurance contract then an FCU could retain a profit on the sale pursuant to Section 721.2 of the Rules and Regulations, provided the insurance policy is directly related to an extension of credit by the credit union.

We hope your questions have been answered to your satisfaction. If we can be of assistance please contact this Office.

Sincerely,



STEVEN R. BISKER  
Assistant General Counsel

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