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NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

APR 15 1987

Office of General Counsel

Mr. Richard R. Weiner  
Weiner Agency, Inc.  
5405 Twin Knolls Road, Suite 6  
Columbia, MD 21045

Dear Mr. Weiner:

This is in response to your recent letter concerning Federal credit union (FCU) involvement in the sale of mortgage life insurance and the receipt of compensation as limited by Section 721.2 of the NCUA Rules and Regulations (12 C.F.R. Section 721.2).

As discussed in your letter, the insurance in question is an individual, 10 year, level term policy that doesn't necessarily have to be sold as mortgage life insurance. However, as proposed, those FCU's interested in your proposal will only offer this insurance in conjunction with their members' mortgage loans. Your letter further notes that the FCU will be the designated beneficiary of the insurance policies with no other beneficiary being permitted.

Pursuant to Section 721.2(b)(1) of the Rules and Regulations, and the preamble thereto (see 50 Fed. Reg. 16462, 4/26/85), reimbursement or compensation for insurance sales, when directly related to an extension of credit or to a share, share draft or share certificate account, is not limited (except by state law) by Section 721.2(b)(2) of the Rules and Regulations to the cost or dollar amount. Therefore, an FCU could generate a profit in connection with such insurance sales. You should note that, pursuant to state law, an FCU may be required to be licensed as an agent or may be required to designate an employee as agent for purposes of selling insurance to their members.

It is our opinion that, if the FCU is the beneficiary of the term life insurance policy and if the policy is offered in conjunction

FOIA Vol II Part D

Mr. Richard R. Weiner

APR 15 1967

Page Two

with a mortgage loan at the FCU, then the credit union could receive compensation based on a percentage of the premium instead of the amount provided in Section 721.2(b)(2). When the mortgage loan is paid off and if the insurance continues, (presumably with a change in the beneficiary), the FCU would then be limited by Section 721.2(b)(2).

I hope that we have been of assistance.

Sincerely,

151

STEVEN R. BISKER  
Assistant General Counsel

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