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NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456
May 25, 1988

Office of General Counsel

Ms. Jill Arnott
Director of Governmental Affairs
Wyoming Credit Union League, Inc. and Affiliates
864 S. Spruce St.
Casper, WY 82601

Re: Federal Credit Union Fund-Raising Program (Your
March 28, 1988, Letter).

Dear Ms. Arnott:

You have asked our opinion as to whether a Federal credit union ("FCU") may: (1) hold a raffle; (2) use the funds generated by the raffle to build capital or to buy a computer; and (3) sell tickets in such a raffle to the general public. An FCU may hold a raffle to buy a computer and sell tickets to the general public; it has not been empowered to hold a raffle for general fund-raising purposes.

Raffle to Purchase a Computer

Section 107(4) of the FCU Act [12 U.S.C. §1757(4)] empowers an FCU "to purchase, hold, and dispose of property necessary or incidental to its operations." Section 107(16) of the Act [12 U.S.C. §1757(16)] empowers an FCU "to exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated. The "incidental powers" authority includes an activity that:

is convenient or useful in connection with the performance of one of the ... established activities pursuant to its express powers.... If this connection between an incidental activity and an express power does not exist, the activity is not authorized as an incidental power.

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Arnold Tours v. Camp, 472 F. 2d 427 (1st Cir. 1972); American Bankers Ass'n v. Connell, 447 F. Supp. 296 (D.D.C. 1978).

We have previously stated our opinion that Section 107(16) authorizes an FCU to conduct a raffle as a marketing tool to increase membership under its Section 109 [12 U.S.C. §1759] power. Similarly here, an FCU may conduct a raffle "incidental" to its Section 107(4) power to purchase property -- in this case, a computer. Moreover, since the purpose is simply to raise the required funds, the FCU may offer the raffle to the general public.

Raffle to Raise Capital

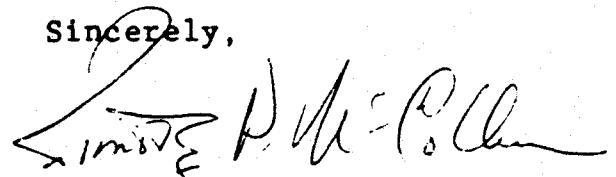
An FCU does not have expressed general capital-raising power -- otherwise it would be authorized to conduct any legal activity. Since an FCU, therefore, cannot claim a raffle conducted solely to raise capital is incidental to any express power, such a raffle is impermissible.

Other Federal and State Law Restrictions

An FCU considering a raffle should realize that the field is heavily regulated at the Federal and state level. In particular, Federal criminal statutes make illegal use of the mails and radio for "any lottery, gift enterprise, or similar scheme offering prizes dependent in whole or in part on lot or chance." [18 U.S.C. §§1302, 1304].

Moreover, the Federal Trade Commission and various states have adopted rules restricting use of raffles.

Sincerely,



TIMOTHY P. McCOLLUM
General Counsel Office

RD:sg