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NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

August 12, 1988

Office of General Counsel

Mr. David J. Serlo
President
Payment Systems For Credit Unions, Inc.
11007 North 56th Street
Suite 204
Tampa, Florida 33617-1774

Re: Emergency Check Cashing Service (Your May 25, 1988,
Letter)

Dear Mr. Serlo:

You have asked whether a Federal credit union ("FCU") may participate in a nationwide emergency check-cashing program which enables FCU members to cash checks at certain institutions around the country and requires that the FCU cash checks for persons affiliated with these other institutions, even if not FCU members. An FCU may do so if necessary to provide this service to its members.

FACTS

Your company proposes to market a "card enhancement" program which would allow an FCU to provide its members emergency check cashing service through a nation-wide network called "CHECASH." The service would enable a credit union member to cash a check at any other participating institution up to a pre-determined limit. In return, the FCU must agree to be designated as a "CHECASH" site which will cash the checks of the other participating institution's members or depositors. An FCU, therefore, might have to provide services to a non-member.

ANALYSIS

Section 107(5) of the FCU Act [12 U.S.C. §1757(5)] permits an FCU to "extend lines of credit to its members," including through credit cards. Section 107(12) of the FCU Act [12 U.S.C. §1757(12)] empowers an FCU, "to cash checks . . . for members, for a fee." Pursuant to Section 107(16) of the FCU Act [12 U.S.C. §1757(16)], an FCU is allowed "to exercise such incidental

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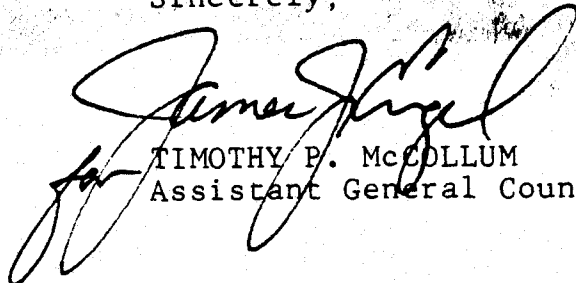
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powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated."

This "incidental powers" authority includes the power to do what "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." Arnold Tours v. Camp, 472 F.2d 427 (1st Cir. 1972).

It would be "convenient and useful" to an FCU's line of credit and check-cashing authority to have other institutions act as agents ready to exercise the FCU's credit-extending and check-cashing power for the benefit of the FCU and its members. The FCU's undertaking in return to cash checks for these other institutions is simply a necessary part of the compensation the FCU must pay for obtaining this service for its members. Obtaining this service for members and undertaking to cash checks for nonmembers as a prerequisite for obtaining the service are therefore, in this limited situation, permissible for FCU's.

Sincerely,


for TIMOTHY P. MCCOLLUM
Assistant General Counsel

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