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NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456
357-1100

May 1, 1989

Office of the Board

Bruce O. Jolly, Esq.
Alagia, Day, Marshall, Mintmire & Chauvin
1000 Thomas Jefferson Street, N.W.
Washington, D.C. 20007

Re: Credit Union Service Organizations (Your
April 7, 1989, and April 10, 1989, Letters)

Dear Mr. Jolly:

You have asked whether a Federal credit union ("FCU") is required to invest in or loan to a credit union service organization ("CUSO") in order to obtain mortgage lending services from the CUSO. It is not. However, FCU's are limited to investing in and/or loaning to CUSO's that primarily serve credit unions and members of affiliated credit unions.

ANALYSIS

Section 701.27(d)(4) of NCUA's Rules and Regulations (12 C.F.R. 701.27(d)(4)) provides:

Customer base. A Federal credit union may invest in or loan to a credit union service organization only if the organization primarily serves credit unions and/or the membership of affiliated credit unions

Section 701.27(c)(1) of NCUA's Rules and Regulations (12 C.F.R. 701.27(c)(1)) defines affiliated credit unions as:

. . . those credit unions that have either invested in or made loans to a credit union service organization.

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When the NCUA Board amended the CUSO regulation (Section 701.27 of NCUA's Rules and Regulations (12 C.F.R. 701.27)) in 1986, it specifically addressed the issue of a CUSO's customer base. The Board stated:

. . . . FCU's may invest in and lend to CUSO's that serve "primarily credit unions and/or the membership of affiliated credit unions." FCU's are authorized to invest in and loan to a CUSO that serves other CUSO's, financial institutions and their customers, other organizations, members of nonaffiliated credit unions, etc., provided the CUSO primarily serves credit unions and members of affiliated credit unions. FCU's cannot invest in or loan to CUSO's that primarily serve nonaffiliated credit union members. The Board believes that if any FCU's members seek the services of a CUSO, the FCU can either establish its own CUSO or become affiliated with an existing CUSO. (51 Fed. Reg. 10355, 3/26/86.)

A CUSO may provide services to credit unions and credit union members even though the credit union seeking the services for itself or its members has not invested in or made a loan to the CUSO. However, a CUSO in which an FCU has made an investment in or loan to must primarily serve credit unions and/or the membership of affiliated credit unions.

Finally, your letter of April 7, 1989, appears to infer that a credit union could provide mortgage lending services to another credit union. An FCU does not have the authority to provide this service to other entities.

Sincerely,

Hattie M. Ulan

HATTIE M. ULAN
Assistant General Counsel