

**NATIONAL CREDIT UNION ADMINISTRATION**

WASHINGTON, D.C. 20456

August 3, 1990

Mr. Mitchell B. Klein  
Police and Fire Federal Credit Union  
901 Arch Street  
Philadelphia, PA 19107

Re: **Police and Fire Federal Credit Union (Your  
May 16, 1990, Letter)**

Dear Mr. Klein:

You have asked whether the Police and Fire Federal Credit Union ("FCU") can service other credit unions that are smaller in size and may not be able to provide certain services to their members, themselves. In general, the answer is no.

**BACKGROUND**

The FCU has approximately 60,000 members and over \$400 million in assets. The FCU offers an extensive array of services to its members, including checking, Visa, MAC, mortgage loans, car loans, lines of credit, and bill-payer service. The FCU is interested in servicing other credit unions that are smaller in size and not able to provide these services to their members.

**ANALYSIS**

An FCU can only engage in activities that are either expressly authorized by the FCU Act or are incidental to one of the express powers pursuant to the incidental powers clause (Section 107(17) of the FCU Act, 12 U.S.C. 1757(17)). Section 701.26(a) of the NCUA Rules and Regulations (12 C.F.R. §701.26(a)) provides as follows:

A Federal credit union may act as representative of and enter into a contractual agreement with one or more credit unions or other organizations for the purpose of sharing, utilizing, renting, leasing, purchasing, selling,

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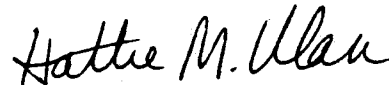
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and/or joint ownership of fixed assets or engaging in activities and/or services which relate to the daily operations of credit unions. Agreements must be in writing, and shall advise all parties subject to the agreement that the goods and services provided shall be subject to examination by the NCUA Board to the extent provided by law.

This regulation authorizes an FCU to contract for assets or services which are related to its daily operations. The regulation was intended to cover an FCU's contracts with third-party vendors and other organizations offering services to credit unions. (See 47 F.R. 30460, 7/14/82.) Section 701.26 does not authorize an FCU to personally provide services and activities to other credit unions.

Although there is no general authority in the FCU Act or NCUA Regulations authorizing an FCU to provide services to other credit unions, an FCU may offer certain services to other credit unions pursuant to various express powers in the FCU Act and the incidental powers clause. For example, it has been our position that an FCU has a limited authority to provide ATM deposit services to other credit unions participating in a shared ATM network. However, as stated above, such authority to provide services to other credit unions is minimal and must be tied to an express power. If you have a narrowly tailored service you would like to offer to other credit unions, we would be glad to consider its permissibility.

Sincerely,



HATTIE M. ULAN  
Associate General Counsel

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