



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

August 1, 1991

Thomas T. Troutner
President/Chief Executive Officer
Professional Federal Credit Union
P.O. Box 5466
Fort Wayne, IN 46895-5466

Re: Credit Union Service Organization (CUSO)
Regulation (Your June 17, 1991, Letter)

Dear Mr. Troutner:

You have asked for an opinion as to whether your son's employment by the credit union's CUSO is a violation of regulations.

Background

In 1989, the credit union's board of directors approved the employment of your son by the credit union's CUSO. Although your son did not reside in your household at the time, he does now.

Analysis

Section 701.27(d)(6) of the National Credit Union Administration Rules and Regulations, 12 C.F.R. §701.27(d)(6), provides in part:

(i) Individuals who serve as officials of, or senior management employees of, an affiliated Federal credit union (as defined in (c)(1)), and immediate family members of such individuals, may not receive any salary, commission, investment income, or other income or compensation from a

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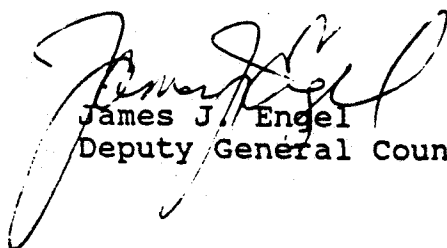
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credit union service organization either directly or indirectly, or from any person being served through the credit union service organization.

Section 701.27(c)(3) of the Rules and Regulations, 12 C.F.R. §701.27(c)(3), defines "immediate family member" as "spouse or other family members living in the same household." Section 701.27(c)(1) of the 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." We assume that your phrase "the credit union's CUSO" means that the credit union has invested in or loaned to the CUSO and thus that it is an affiliated credit union.

Unfortunately, the regulation is quite specific. Family members living in the same household as an official or senior management employee of an affiliated federal credit union may not receive compensation from a CUSO. There are no exceptions or waivers applicable to the regulation. Your son's receipt of compensation from the CUSO while living in your household constitutes a violation of Section 701.27(d)(6).

Sincerely,


James J. Engel
Deputy General Counsel

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SSIC 4062
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