NATIONAL CREDIT UNION ADMINISTRATION
WASHINGTON, D.C. 20456

October 30, 1991

Philip L. Carson
Miller Carson & Boxberger
1400 One Summit Square
Fort Wayne, Indiana 46802-3173

Re: Credit Union Service Organization (CUSO) Regulation (Your September 3, 1991, Letter)

Dear Mr. Carson:

You have asked for an interpretation of the National Credit Union Administration (NCUA) Rules and Regulations.

Background

By letter dated June 17, 1991, Thomas Troutner, President of Professional Federal Credit Union (the FCU), requested our opinion regarding the employment of his son by a CUSO affiliated with the FCU. On August 1, 1991, we responded that the son's receipt of compensation by the CUSO while living in Mr. Troutner's household constituted a violation of Section 701.27(d)(6) of the NCUA Rules and Regulations, 12 C.F.R. §701.27(d)(6). You state that in reliance on additional language in Section 701.27(d)(6), Mr. Troutner's son has ceased employment with the CUSO and become an employee of the FCU. You further state that it is anticipated that in his employment with the FCU, he will occasionally perform services for the CUSO and that the FCU will bill the CUSO for those services. You have asked whether the proposed arrangement is permissible under Section 701.27(d)(6).

Analysis

Section 701.27(d)(6) provides in part that individuals who serve as officials or senior management employees of an

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affiliated federal credit union, and immediate family members of such individuals, may not receive any compensation from a CUSO. As you note, Section 701.27(d)(6) goes on to state:

> This provision does not prohibit an official or senior management employee of a Federal credit union from assisting in the operation of a credit union service organization, provided the individual is not compensated by the credit union service organization. Further, the credit union service organization may reimburse the Federal credit union for the services provided by the individual.

Although the above-quoted language does not mention immediate family members, it seems clear that they should be included, since they are included in the prohibition. Accordingly, the proposed arrangement is permissible under Section 701.27(d)(6).

We note that there are other conflict provisions in the NCUA Rules and Regulations that may be applicable to Mr. Troutner's son due to his father's position as president of the FCU; these provisions may also apply to the son's immediate family members, depending on the position he holds in the FCU. See, e.g., Sections 701.21(c)(8) (the lending regulation), 701.36(e) (the fixed asset regulation), 703.4(e) (the investment regulation), and 721.2(c) (the group purchasing regulation).

Sincerely,

Hattie M. Ulan

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Associate General Counsel

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