NATIONAL CREDIT UNION ADMINISTRATION
WASHINGTON, D.C. 20456

GC/HMU:cch
4710
10/29/85

Mr. Steve Davidson
DBS Agency
1655 Woodshill Lane
Salem, VA 24153

Dear Mr. Davidson:

This is in response to your letter of September 4, 1985, concerning a Federal credit union (FCU) offering a mechanical breakdown insurance program.

As noted in the letters we sent to you previously, in a mechanical breakdown insurance policy, an insurance company enters into a contract of insurance with an individual (e.g., an FCU member), promising to pay for certain repairs to the individual's vehicle. The FCU is not liable for repairs to the vehicle. An FCU may offer a mechanical breakdown insurance policy to its members pursuant to Part 721 of the NCUA Rules and Regulations (12 C.F.R. Part 721) or a credit union service organization may act as agent for the sale of such insurance pursuant to Section 701.27(b)(3) of the Regulations (12 C.F.R. §701.27(b)(3)).

Lastly, you should note that although FCU's may offer insurance pursuant to the authorities cited above, they must also comply with state insurance laws.

We hope that we have been of assistance.

Sincerely,

SB

STEVEN R. BISKER
Assistant General Counsel

FOIA file: Vol. II, A, 3 - Auto Insurance Mechanical Breakdown