

May 29, 1998

Robbin L. McGregor, Executive Vice President/ Chief Executive Officer
Riverside Credit Union Service Organization, Inc.
522 South Corona Mall
Corona, CA 91719

Re: Credit Union Service Organization (CUSO) Cellular Phone Services

Dear Mr. McGregor:

You have asked for a legal opinion regarding whether cellular telephone services are a permissible CUSO activity or service. We conclude they are not a permissible CUSO activity or service.

You propose to offer cellular telephone services to Riverside County Federal Credit Union (FCU) members through your CUSO. In several letters to you, the Region VI Office informed you that permissible CUSO activities or services must be associated with routine credit union operations. We agree with the Region's previously stated view that a permissible CUSO service or activity needs to be more than just a convenience for members. Your only argument for adding cellular telephone services is the speculation that commuting FCU members could use the cellular telephone to access the FCU's 24-hour, toll-free telephone access services, including transferring funds from one credit union account to another and applying for loans. You base your argument on member convenience and not upon the daily, routine operations of credit unions.

CUSOs, according to the FCU Act, are to provide "services which are associated with the routine operations of credit unions." 12 U.S.C. §1757(7)(I). In addition, a CUSO is an organization that is "established primarily to serve the needs of its member credit unions, and whose business relates to the daily operations of the credit unions they serve." 12 U.S.C. §1757(5)(D). To provide guidance in defining the boundaries of permissible CUSO services, NCUA provided a list of these daily, routine services of need to credit unions in its prior CUSO regulation. 12 C.F.R. §701.27(d)(5). In the recently revised CUSO rule, the list of permissible activities and services is substantially the same as in the prior rule. 12 C.F.R. §712.5 published at 63 Fed. Reg. 10743 (March 5, 1998). Neither the prior nor the current CUSO rule include cellular telephone sales and services as a permissible CUSO activity.

Although telephones can be used to access an FCU's services through a telephone account transfer or billpayer service, the sale and provision of telephones and telephone services are not related to the daily, routine operations of FCUs. Therefore, cellular telephone services are not a permissible CUSO activity.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/MSG:sg
SSIC 3501

97-1032

cc: Office of Examination and Insurance
Region VI