

June 26, 1998

Vicki L. Stuart, Vice President Finance & Operations
Ste. Croix Regional Federal Credit Union
1000 Lisbon Street
P.O. Box 1746
Lewiston, Maine 04241-1746

Re: Loans to CUSOs, Your letter dated June 4, 1998.

Dear Ms. Stuart:

You have asked whether a federal credit union can lend 1% of its unimpaired capital and surplus to a credit union service organization (CUSO) without investing in the CUSO. The answer is yes. Section 712.2(b) of the CUSO regulation permits an FCU to lend up to "1% of its paid-in and unimpaired capital and surplus" to a CUSO "independent and separate from the 1% investment authority of subsection (a) of this section." 12 C.F.R. §712.2(b).

You have also asked a question concerning permissible CUSO bylaws. The answer to your question depends on the law of the state where the CUSO is incorporated. You should consult with your own local counsel on that question.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/MFR:bhs
SSIC 3501
98-0623