

November 29, 1999

J. Ronald Unger, President
Dearborn Federal Credit Union
P.O. Box 6048
Dearborn, Michigan 48121-6048

Re: CU Village Internet-based Delivery System

Dear Mr. Unger:

You have asked whether a federal credit union (FCU) may participate in The Credit Union Village (CU Village). You describe CU Village as an Internet-based delivery system designed to enhance credit union web sites. FCUs may participate in the CU Village, but an FCU's participation, including the sale of advertising space, is subject to the limitations of NCUA's group purchasing regulation. 12 C.F.R. Part 721.

You indicate that Dearborn Federal Credit Union (Dearborn FCU) will purchase a site license for CU Village from CUCorp, the service corporation of the Michigan Credit Union League, which maintains the CU Village site and creates the link to Dearborn FCU's web site. Dearborn FCU members will then have access to numerous consumer-related products and services, resources and information, including the ability to make on-line purchases, although the purchases do not "flow through" Dearborn FCU. Dearborn FCU will make no income from its participation in CU Village, other than from its own products and if it sells advertising space. You did not provide a copy of the license agreement for our review.

NCUA regulations do not prohibit FCUs from entering into agreements for services such as web site design or enhancement. However, an FCU's compensation from the promotion of a third party's services or products is limited to reimbursement for administrative functions in connection with a group purchasing activity. 12 C.F.R. §721.2(b)(3). Further, no director, committee member or senior management employee of the FCU may receive compensation or benefit directly or indirectly in conjunction with such a group purchasing activity. 12 C.F.R. §271.2(b)(3)(c). This prohibition extends to any FCU employee directly involved in the group purchasing activity unless the FCU board of directors finds that no conflict exists. 12 C.F.R. §721.2(b)(3)(d).

Sincerely,

Sheila A. Albin
Associate General Counsel

OGC/DMS:bhs

SSIC 3500/99-0936