

January 13, 1993

Gretchen L. Jones  
Norman, Hanson & DeTroy  
P.O. Box 4600  
Portland, Maine 04112-4600

Re: CUSOs (Your December 22, 1992, Letter)

Dear Ms. Jones:

You have asked whether the Maine Credit Union League Services Corp. (MECUL Services Corp.) qualifies as a Credit Union Service Organization (CUSO). Assuming no change in circumstances, MECUL Services Corp. will qualify as a CUSO once a federal credit union invests in or loans to it.

#### ANALYSIS

The Maine Credit Union League is the sole shareholder of MECUL Services Corp. which provides the following services to League members and their members: credit card services; ATM services; data processing services; management and personnel training and support; payment item processing; marketing services; research services; and provision of forms and supplies.

MECUL Services Corp. is planning to issue debentures for investment by credit unions who are members of the league. Your office has provided a legal opinion that MECUL meets the definition of a CUSO. However, NCUA examiners have requested that you obtain an opinion from our office that MECUL Services Corp. is indeed a CUSO.

Federal credit union (FCU) involvement in CUSOs is limited by Sections 107(5)(D) and 107(7)(I) of the FCU Act (12 U.S.C. ~1757(5)(D) and 1757(7)(I)) and Section 701.27 of NCUA's Regulations (12 C.F.R. 701.27). Section 107(5)(D) of the FCU Act and Section 701.27(b)(2)(i) of NCUA's Regulations limit FCU loans to CUSOs, in the aggregate, to 1% of the FCU's paid-in and unimpaired capital and surplus. Section 107(7)(I) of the FCU Act and Section 701.27(b)(1)(i) of NCUA's Regulations limit an FCU's investment in CUSOs, in the aggregate, to 1% of the FCU's paid-in and unimpaired capital and surplus.

Section 701.27(b)(1)(ii) provides that CUSOs are limited to providing services associated with the routine operation of credit unions. Sections 701.27(b)(2)(ii) and (iii) require that CUSOs exist primarily to meet the needs of their member credit unions, and limits CUSOs to engaging in business relating to the daily operations of the credit unions they serve. Section 701.27(d)(4) limits FCUs to investing in CUSOs that serve primarily credit unions and/or the membership of affiliated credit unions.

From the facts available to us, it appears that MECUL Services Corp., as presently set up, exists primarily to serve the needs of the credit unions it serves, and provides only services associated with the routine, daily operations of those credit unions. Section 701.27(d)(5)(ii) specifically authorizes FCU investment and loans in CUSOs that provide the above listed services. In our opinion, FCUs may invest in and/or loan to MECUL Services Corp. as it is presently organized. However, until an FCU invests in or loans to MECUL Services Corp., it is only a corporation providing services to credit unions. We note that, pursuant to Section 701.27(a), the CUSO regulation applies only where one or more FCUs have invested in or made a loan to a CUSO. Once such an investment and/or loan is made, the affiliated (investing/lending) FCUs become subject to all the requirements of Section 701.27.

Sincerely,

Hattie M. Ulan  
Associate General Counsel

GC/MM:sg  
SSIC 3501  
92-1244