

May 2, 1997

Thomas C. White, President/CEO
Rockland Federal Credit Union
241 Union Street
Rockland, Massachusetts 02370

Re: Incentives to Automobile Dealers
(Your March 6, 1997, Letter)

Dear Mr. White:

You have asked about the permissibility of Rockland Federal Credit Union's proposed plan to pay incentives to local automobile dealers who forward loan applications to the credit union. Under the plan, the automobile dealers would receive tickets, vacations, or cash based on the number of new members enrolled and the volume of loan applications approved by the credit union.

Section 701.21(c)(8)(i) of NCUA Rules and Regulations provides that no federal credit union (FCU) official or employee, or immediate family members of such individuals may receive, directly or indirectly, any commission, fee, or other compensation in connection with any loan made by the FCU. 12 C.F.R. §701.21(c)(8)(i). Based upon the facts that you have presented, Rockland FCU's plan does not involve paying incentives to any of the above mentioned prohibited individuals. Accordingly, this plan does not appear to violate NCUA's Rules and Regulations, and thus, would be within the discretion of Rockland FCU's board of directors.

Please note, however, that Rockland FCU needs to monitor and be aware of any potential for conflicts of interest in the credit union's dealings with the automobile dealers since some employees or officials of the credit union may have an interest in the financial success of any one of the dealers. See NCUA Federal Credit Union Bylaws, Article XIX, Section 4.

For your reference, we have enclosed a copy of NCUA's Interpretive Ruling and Policy Statement 94-1, Appendix E, 59 Fed. Reg. 29,066, 29,134 (June 3, 1994). It provides guidance to credit unions on the issue of outside vendors soliciting credit union membership in connection with the vendor's sale of products or services.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/NSW:bhs
SSIC 3500
97-0318

Enclosure