

September 10, 1998

John J. Taddeo
President & General Manager
USAA Federal Credit Union
9800 Fredericksburg Road, C-1-W
San Antonio, Texas 78288-0601

Re: Accepting Insurance Payments for an FCU Sponsor.

Dear Mr. Taddeo:

You have requested an opinion from this office on the permissibility of USAA Federal Credit Union (FCU) receiving insurance payments from members and nonmembers for its sponsor and, then, distributing the funds to the sponsor. Such a service would be permissible if the sponsor is an FCU member with a share account.

The FCU has been requested by USAA, its sponsor, to accept insurance payments from USAA customers. Only some of USAA customers are members of the FCU. The FCU would collect the insurance payment and disburse it to USAA. The FCU and USAA are currently developing operational procedures to account for and distribute collected funds related to these transactions.

The Federal Credit Union Act (the Act) expressly authorizes FCUs to engage in certain activities and, also, authorizes them, under the incidental powers provision, to engage in activities that are incidental to one of the express powers. 12 U.S.C. §1757. The incidental powers provision permits an FCU "to exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated." 12 U.S.C. §1757(17). This authority includes the power to do that which is "convenient or useful" in connection with the performance of one of the bank's established activities pursuant to its express powers under the National Bank Act." Arnold Tours, Inc. v. Camp, 472 F.2d 427 (1st Cir. 1972); See also American Bankers

Association v. Connell, 447 F. Supp. 296 (D.D.C. 1978)(made the "convenient and useful" test of Arnold Tours applicable to FCUs). Acceptance of the insurance payment from members and nonmembers and disbursement of the funds to a members is incidental to the FCU's authority to accept shares from members. 12 U.S.C. §1757.

John J. Taddeo

Page 2

If the sponsor were a member, the FCU would be able to provide the proposed service. An employer may be included in an occupational common bond group, and it is our understanding that the sponsor is in the process of becoming a member of the FCU. Chapter 1, Section II, A.1, NCUA

Chartering Manual and Field of Membership Manual (IRPS 94-1, as amended by IRPS 96-1).

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/MJMck:bhs
SSIC 3601
98-0550