

August 12, 1998

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

Re: Sale of Eligible Obligations, Your letter dated July 28, 1998.

Dear Ms. Stuart:

You have asked whether a federal credit union may sell its VISA loan portfolio to a third party. The National Credit Union Administration's regulations permit a federal credit union (FCU) to sell its loans to any source, as long as the board of directors approves the sale and the FCU retains the written agreement with the schedule of the loans sold. 12 C.F.R. §701.23(c)(1).

You have also asked whether an FCU can continue to offer VISA cards to its members through the entity that purchased the VISA loan portfolio. You explained in a telephone conversation with Mary Rupp, Staff Attorney, that the FCU will market the cards to its members but that the purchasing entity is the one actually providing the VISA loan. The names of the FCU and the entity providing the loan will both be on the card. Without reviewing the documents being provided to the member, we can say generally that this practice is permissible if the loan documents are not misleading. Region I is currently reviewing a VISA program similar to the one you have described. We have some legal concerns with the disclosures which may also apply to your FCU.

In addition, you should note that, under NCUA's regulation on group purchasing activities, an FCU that makes the services of a third party vendor available to its members may not receive compensation in excess of its actual cost. 12 C.F.R. §721.2(b)(3).

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/MFR:bhs
SSIC 3000
98-0802

cc: Larry Blankenberger, Reg. I, Dir. Of Sup.