

March 5, 1999

Bill Schilling, General Counsel
National Association of Professional Employer Organizations
901 North Pitt Street
Suite 150
Alexandria, Virginia 22314

Re: Leased Employees.

Dear: Mr. Schilling:

You have asked whether federally chartered credit unions and federally insured credit unions (FICUs) may employ "leased employees," using the services of a so-called professional employer organization (PEO). Our understanding is that a PEO is a company that provides human resource management and administration, typically being responsible for payroll, benefits, and taking care of items such as withholding for taxes and payment of worker's compensation and unemployment insurance for an employer's workforce. As discussed below, while not prohibited, a federally chartered or federally insured credit union should insure that it maintains adequate day-to-day control of its employees.

The Federal Credit Union Act (the Act) states that a credit union's board of directors can provide for the hiring and compensation of its employees. 12 U.S.C. §1761b(12). Neither the Act nor NCUA's regulations specifically address an employment relationship of this nature. We have no objection to a federally insured or federally chartered credit union using the services of a PEO provided the credit union retains the right to determine the hiring and firing of employees and control compensation. Further, the credit union must be able to require that its employees abide by credit union policies and procedures in all areas of its operations. Finally, we note that the credit union should assure itself that its employees will be considered covered by its fidelity bond.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/NSW/SAA:bhs
SSIC 3000
98-1135
98-1253