

November 14, 2001

Tom Whitmore, President/CEO
Lackland Federal Credit Union
2250 Kenly Avenue LAFB
San Antonio, Texas 78236

Re: Federal Credit Union as Licensed Insurance Agent.

Dear Mr. Whitmore:

You have asked if a federal credit union (FCU) may become a licensed insurance agent or if it is necessary for an FCU to invest in a credit union service organization that would offer insurance products to the FCU's members. An FCU may provide its members the opportunity to purchase a third-party vendor's insurance products as a permissible finder activity under our incidental powers rule. 12 C.F.R. §721.3(f). As such, an FCU may become a licensed insurance agent, if required under state law, in order to act as a finder of insurance products.

The NCUA Board has long authorized FCUs to offer vendors' insurance products to members. The 1985 amendments to our former insurance and group purchasing regulation permitted FCUs to accept compensation in excess of their administrative costs when offering insurance products incidental to providing an extension of credit. 50 Fed. Reg. 16462, 16463 (April 26, 1985). During that rulemaking, the preamble noted an FCU could be subject to state insurance laws, including individual agent licenses for FCU employees. *Id.* at 16464.

Recently, the NCUA Board replaced the insurance and group purchasing rules with a regulation that codifies permissible activities within an FCU's incidental powers under the Federal Credit Union Act. 12 C.F.R. Part 721. As part of the rulemaking, NCUA consolidated the former group purchasing and insurance activities under a category of incidental powers entitled finder activities. 65 Fed. Reg. 70526, 70530 (Nov. 24, 2000). Acting as a finder, an FCU introduces or otherwise brings together outside vendors with its members for the negotiation and consummation of transactions. 12 C.F.R. §721.3(f). The rule does not limit the types of vendors, products, or services an FCU may find for its members. Acting as a finder, an FCU may perform administrative functions for vendors and its members to facilitate their transactions, as previously authorized under group purchasing. Therefore, an FCU may act as a finder of insurance companies as a service to its members and earn income from engaging in finder activities, without restriction, under our rule. *See* 66 Fed. Reg. 40845, 40852 (Aug. 6, 2001) and 12 C.F.R. §721.6. An FCU, however, must comply with all applicable federal and local law. 12 C.F.R. §721.5. Therefore, an FCU could be subject to state insurance laws, including agency license requirements and restrictions on income.

Sincerely,

Sheila A. Albin
Associate General Counsel

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