

NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314

DATE: June 2014 **LETTER NO.:** 14-CU-07

TO: Federally Insured Credit Unions (FICUs)

SUBJ: Contractual Agreements with Credit Union Service Organizations (CUSOs)

NOTE: Compliance Required by June 30, 2014

Dear Board of Directors and Chief Executive Officer:

If your credit union has an outstanding loan to a CUSO or an investment in a CUSO, you are required to amend your contractual agreement with that CUSO by the end of this month.

One of the primary changes to NCUA's CUSO rule requires any FICU investing in or lending to a CUSO to enter into a written agreement requiring the CUSO to submit annual reports to NCUA (and the state supervisory authority, if your credit union is state-chartered).¹

The intent of this change is to permit NCUA to obtain financial information directly from each CUSO, rather than through each credit union.

However, there has been some confusion as to which credit unions must enter into a written agreement requiring a CUSO to submit annual reports. This letter clarifies that only those FICUs investing in or lending to a CUSO are subject to this part of the CUSO rule.²

¹ The contents of the reports will depend on the kinds of activities in which each particular CUSO is engaged. For more information about the CUSO rule, see NCUA Letter to Credit Unions [13-CU-13, "Changes to NCUA Regulations related to Credit Union Service Organizations"](#) (Nov. 2013). Full text of the final rule appeared in the Federal Register (78 Fed. Reg. 72537 (Dec. 3, 2013)).

² If your credit union is investing in or lending to more than one CUSO, this reporting requirement applies to written agreements with each CUSO.

A FICU that only receives products or services from a CUSO—but does *not* have an investment in or a loan outstanding to a CUSO—is not subject to the requirement.³

If you have questions about any of the new regulatory requirements related to CUSOs, I encourage you to contact your NCUA regional office or state supervisory authority.

Sincerely,

A handwritten signature in blue ink, appearing to read "Debbie Matz". The signature is fluid and cursive, with a large initial "D" and a long, sweeping tail.

Debbie Matz
Chairman

³ For a detailed legal discussion regarding this requirement, see the applicable Legal Opinion Letter from NCUA's Office of General Counsel (OGC Legal Op. 14-0502 (May 29, 2014), which is available at <http://www.ncua.gov/Legal/Regs/Pages/OL2014.aspx>).