

## National Credit Union Administration

## § 712.5

has an investment plans to change its structure under § 712.3(a), an FCU must also obtain prior, written legal advice that the CUSO will remain established in a manner that will limit potential exposure of the FCU to no more than the loss of funds invested in, or loaned to, the CUSO. The legal advice must address factors that have led courts to “pierce the corporate veil” such as inadequate capitalization, lack of separate corporate identity, common boards of directors and employees, control of one entity over another, and lack of separate books and records. The legal advice may be provided by independent legal counsel of the investing FCU or the CUSO.

### § 712.5 What activities and services are preapproved for CUSOs?

NCUA may at any time, based upon supervisory, legal, or safety and soundness reasons, limit any CUSO activities or services, or refuse to permit any CUSO activities or services. Otherwise, an FCU may invest in, loan to, and/or contract with only those CUSOs that are sufficiently bonded or insured for their specific operations and engaged in the preapproved activities and services related to the routine daily operations of credit unions. The specific activities listed within each preapproved category are provided in this section as illustrations of activities permissible under the particular category, not as an exclusive or exhaustive list.

#### (a) *Checking and currency services:*

- (1) Check cashing;
- (2) Coin and currency services;
- (3) Money order, savings bonds, travelers checks, and purchase and sale of U.S. Mint commemorative coins services; and
- (4) Stored value products

#### (b) *Clerical, professional and management services:*

- (1) Accounting services;
- (2) Courier services;
- (3) Credit analysis;
- (4) Facsimile transmissions and copying services;
- (5) Internal audits for credit unions;
- (6) Locator services;
- (7) Management and personnel training and support;
- (8) Marketing services;
- (9) Research services;

- (10) Supervisory committee audits; and

#### (11) Employee leasing services.

(c) *Business loan origination*, including the authority to buy and sell participation interests in such loans;

(d) *Consumer mortgage loan origination*, including the authority to buy and sell participation interests in such loans;

#### (e) *Electronic transaction services:*

- (1) Automated teller machine (ATM) services;
- (2) Credit card and debit card services;
- (3) Data processing;
- (4) Electronic fund transfer (EFT) services;

#### (5) Electronic income tax filing;

#### (6) Payment item processing;

#### (7) Wire transfer services; and

#### (8) Cyber financial services;

#### (f) *Financial counseling services:*

(1) Developing and administering Individual Retirement Accounts (IRA), Keogh, deferred compensation, and other personnel benefit plans;

#### (2) Estate planning;

(3) Financial planning and counseling;

#### (4) Income tax preparation;

#### (5) Investment counseling;

#### (6) Retirement counseling; and

(7) Business counseling and consultant services;

#### (g) *Fixed asset services:*

(1) Management, development, sale, or lease of fixed assets; and

(2) Sale, lease, or servicing of computer hardware or software;

#### (h) *Insurance brokerage or agency:*

#### (1) Agency for sale of insurance;

(2) Provision of vehicle warranty programs;

(3) Provision of group purchasing programs; and

#### (4) Real estate settlement services;

#### (i) *Leasing:*

#### (1) Personal property; and

(2) Real estate leasing of excess CUSO property;

#### (j) *Loan support services:*

#### (1) Debt collection services;

(2) Loan processing, servicing, and sales;

#### (3) Sale of repossessed collateral; and

#### (4) Real estate settlement services;

(5) Purchase and servicing of non-performing loans; and

## §712.6

(6) Referral and processing of loan applications for members whose loan applications have been denied by the credit union;

(k) *Record retention, security and disaster recovery services:*

(1) Alarm-monitoring and other security services;

(2) Disaster recovery services;

(3) Microfilm, microfiche, optical and electronic imaging, CD-ROM data storage and retrieval services;

(4) Provision of forms and supplies; and

(5) Record retention and storage;

(l) *Securities brokerage services;*

(m) *Shared credit union branch (service center) operations;*

(n) *Student loan origination*, including the authority to buy and sell participation interests in such loans;

(o) *Travel agency services; and*

(p) *Trust and trust-related services:*

(1) Acting as administrator for pre-paid legal service plans;

(2) Acting as trustee, guardian, conservator, estate administrator, or in any other fiduciary capacity; and

(3) Trust services.

(q) *Real estate brokerage services.*

(r) *CUSO investments in non-CUSO service providers:* In connection with providing a permissible service, a CUSO may invest in a non-CUSO service provider. The amount of the CUSO's investment is limited to the amount necessary to participate in the service provider, or a greater amount if necessary to receive a reduced price for goods or services.

(s) Credit card loan origination;

(t) Payroll processing services.

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### §712.6 What activities and services are prohibited for CUSOs?

*General.* CUSOs must not acquire control of, either directly or indirectly, another depository financial institution, nor invest in shares, stocks, or obligations of an insurance company, trade association, liquidity facility or

## 12 CFR Ch. VII (1–1–11 Edition)

similar organization, corporation, or association.

[63 FR 10756, Mar. 5, 1998, as amended at 64 FR 66361, Nov. 26, 1999]

### §712.8 What transaction and compensation limits might apply to individuals related to both an FCU and a CUSO?

(a) *Officials and Senior Management Employees.* The officials, senior management employees, and their immediate family members of an FCU that has outstanding loans or investments in a CUSO must not receive any salary, commission, investment income, or other income or compensation from the CUSO either directly or indirectly, or from any person being served through the CUSO. This provision does not prohibit such FCU officials or senior management employees from assisting in the operation of a CUSO, provided the officials or senior management employees are not compensated by the CUSO. Further, the CUSO may reimburse the FCU for the services provided by such FCU officials and senior management employees only if the account receivable of the FCU due from the CUSO is paid in full at least every 120 days. For purposes of this paragraph (a), “official” means affiliated credit union directors or committee members. For purposes of this paragraph (a), “senior management employee” means affiliated credit union chief executive officer (typically this individual holds the title of President or Treasurer/Manager), any assistant chief executive officers (e.g. Assistant President, Vice President, or Assistant Treasurer/Manager) and the chief financial officer (Comptroller). For purposes of this paragraph (a), “immediate family member” means a spouse or other family members living in the same household.

(b) *Employees.* The prohibition contained in paragraph (a) of this section also applies to FCU employees not otherwise covered if the employees are directly involved in dealing with the CUSO unless the FCU's board of directors determines that the FCU employees' positions do not present a conflict of interest.

(c) *Others.* All transactions with business associates or family members of