

1301:9-2-32

Credit union service organizations.

- (A) A “Credit Union Service Organization” (CUSO) means any organization, as determined by the superintendent, in which a credit union can invest in and make loans if the CUSO primarily serves credit unions, its membership, or the membership of other credit unions and whose business relates to the daily or routine operation of the credit unions it serves, are incidental to the credit union, are provided for the benefit of the members of the credit union or whose activities or services are approved by the superintendent. A credit union may invest in or loan to a CUSO by itself, with other credit unions or with non-credit union parties.
- (B) A credit union may invest in shares, stock or obligations of a CUSO in amounts not exceeding ten per cent of the credit union's total net worth, unless otherwise approved by the superintendent.
- (C) A credit union may make loans to a CUSO in amounts not exceeding ten per cent of the credit union's net worth, which percentage is independent of the ~~three-ten~~ per cent investment limit, unless otherwise approved by the superintendent.
- (D) A credit union's maximum investment and loans in CUSOs may not exceed, in the aggregate, twenty per cent of its net worth, unless otherwise approved by the superintendent.
- (E) A CUSO chartered as a corporation, a limited liability company, or a cooperative must be adequately capitalized and operated as a separate entity. A credit union making an investment in or loan to a CUSO structured as a limited liability company shall obtain written legal advice as to whether such organization is established in a manner that will limit the credit union's potential exposure to no more than the loss of funds invested in or lent to the CUSO.
- (F) A credit union may participate only as a limited partner in a CUSO structured as a limited partnership. As such, the credit union shall not engage in those activities which may cause the credit union to lose its status as a limited partner, and correspondingly its limited ability, and thereby be treated as a general partner. A credit union shall obtain written legal advice to ensure it will not be treated as a general partner.
- (G) A credit union may invest in or lend to a CUSO only if the organization primarily serves credit unions and/or the membership of affiliated credit unions.
- (H) Investments in or loans to CUSOs shall be limited to organizations which engage in activities or services which relate to the daily operation of credit unions, are incidental

to the credit union, are for the benefit of their members, or have been approved by the superintendent. The following are examples of activities or services in which a CUSO may participate:

- (1) Operational services: credit card and debit card services; check cashing and wire transfers; internal audits for credit unions; ATM services; EFT services; accounting services; data processing; shared credit union branch (service center) operations; sale of repossessed collateral; management, development, sale or lease of fixed assets; sale, lease or servicing of computer hardware or software; management and personnel training and support; payment item processing; locator services; marketing services, research services; record retention and storage; microfilm, microfiche, optical and electrical imaging, CD-ROM data storage and retrieval services; alarm-monitoring and other security services; debt collection services; credit analysis; consumer mortgage loan origination; loan processing, servicing and sales, coin and currency services, and provision of forms and supplies; money orders; savings bonds; travelers checks; purchase and sale of U.S. mint commemorative coins services; courier services; facsimile transmissions and copying services; supervisory committee audits; electronic income tax filing; and cyber financial services;
- (2) Financial services: financial planning and counseling; retirement counseling; investment counseling; securities brokerage services; estate planning; income tax preparation; acting as administrator for prepaid legal service plan; developing and administering IRA, Keough, deferred compensation, and other personnel benefit plans; trust services; acting as trustee, guardian, conservator, estate administrator, or in any other fiduciary capacity; real estate brokerage services; travel agency services; agent or agency for sale of insurance; personal property leasing; and provision of vehicle warranty programs; provision of vehicle warranty programs; provision of group purchasing program; real estate leasing of excess credit union service organization property; alarm-monitoring and other security services; disaster recovery services; student loan origination; all telephone and telecommunication services; and business loan origination.
- (3) In connection with providing a permissible service, a credit union may invest in a non-credit union service organization service provider. The amount of the credit union'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.
- (4) The superintendent may expand the range of services, beyond those set forth in paragraph (H) of this rule or as otherwise determined by the superintendent, for purposes of investments in or loans to CUSOs as set forth in paragraph (N) of this rule. Such approval shall be obtained from the superintendent in writing.

- (I) Individuals who serve as officials of, or are employed by, an affiliated credit union, and immediate family members of such individuals, may not receive any salary, commission, investment income, other income, or compensation from a CUSO either directly or indirectly, or from any person being served through the CUSO. This provision does not prohibit an official or employee of a credit union from assisting in the operation of a CUSO, provided the individual is not compensated by the CUSO. Further the CUSO may reimburse the credit union for the services provided by the individual.
- (J) A credit union must follow GAAP in its involvement with CUSOs.
- (K) An affiliated credit union must obtain written agreements from a CUSO, prior to investing in or lending to the organization that the organization will:
- (1) Follow GAAP;
 - (2) Render financial statements (balance sheet and income statement) at least quarterly and obtain an annual audit of the financial statement by a public accountant or certified public accountant licensed to do business in this state and provide copies of such to the affiliated credit union;
 - (3) Provide the superintendent or his representatives with complete access to any books and records of the CUSO, as deemed necessary by the superintendent in carrying out his responsibilities.
- (L) As used in this rule:
- "Official" means directors or committee members.
- (M) CUSOs are not permitted to 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 similar organization, corporation, or association.
- (N) The superintendent may expand the range of activities and services a CUSO can offer for purposes of a credit union investing in or lending to the CUSO. Any request to expand the range of services shall be filed with the superintendent and shall include an explanation of the activity or services and how that activity or service relates to the daily operation of the credit union, is incidental to the operation of the credit union, or is being offered as a benefit to the members of the credit union. The superintendent shall notify the credit union not more than fifteen business days after the filing of the request for expansion of services or policy whether it is denied, approved, or requires modification. If the superintendent does not respond within fifteen business days after the filing of the request or policy, it shall be deemed approved; unless,

the superintendent notifies the credit union in writing within fifteen business days of the credit union's request being filed that additional documentation is required. If additional documentation is required, the credit union shall have thirty days to file the additional documentation with the superintendent. If the superintendent does not respond within fifteen business days of receipt of the additional documentation, the request or policy shall be deemed approved.

Effective:

Five Year Review (FYR) Dates:

Certification

Date

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