

June 10, 2008

Ellen Hein, CEO  
Chris Hutson, CFO  
Texas Tech Federal Credit Union  
1802 Texas Tech Parkway  
Box 41072  
Lubbock, TX 79409-1072

Re: Gift Cards as an Electronic Financial Service.

Dear Ms. Hein and Mr. Hutson:

You have asked about the permissibility of a proposal Texas Tech Federal Credit Union (FCU) is considering where the FCU would receive payments for gift cards and track payments for the Texas Tech University Athletic Department (Athletic Department). We conclude it is within the FCU's incidental powers to offer this financial service to the issuer of the gift card if the issuer is a member of the FCU.<sup>1</sup>

The Athletic Department wants to offer Texas Tech fans a gift card for the purchase of athletic event tickets, concessions at events, and apparel at the university's athletic store. Fans would access information about gift cards on the Athletic Department's web site; when the fan initiates a card purchase, the fan would be transferred by an electronic link to the FCU's website. The FCU would receive funds electronically from the purchaser on behalf of the Athletic Department into an account the Athletic Department would maintain at the FCU. The FCU will track the use of the gift card and debit its member's account when the card purchaser uses the card to make a purchase. A local bank with which the FCU already has a relationship will provide the cards showing the logos of the FCU and the Athletic Department.

Essentially, under this proposal, the FCU would receive and transfer funds on behalf of its member, which are traditional financial services credit unions perform for their members but, in this instance, through the electronic media represented by the gift cards, a type of stored value card product. We conclude the proposal is permissible under the provision in NCUA's incidental powers

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<sup>1</sup> A threshold issue for the FCU and the Athletic Department is establishing the Athletic Department as a member. We are not aware whether the Athletic Department would be considered a separate legal entity from Texas Tech University and, as an alternative, we suggest you consult with NCUA's regional office regarding having the FCU's sponsor, Texas Tech University, join as a member of the FCU if it has not done so already and have it be the issuer. Another option, if the Athletic Department is not a separate legal entity and eligible in its own right for membership, might be that it could be eligible under the provision in your charter for an organization of persons who are already enumerated as eligible in your charter.

Ms. Ellen Hein  
Mr. Chris Hutson  
Page 2

regulation permitting an FCU to provide electronic financial services to members that states:

Electronic financial services are any services, products, functions, or activities that you [an FCU] are otherwise authorized to perform, provide, or deliver to your members but performed through electronic means. Electronic services may include automated teller machines, electronic fund transfer, online transaction processing through a web site, web site hosting services, account aggregation services, and Internet access services to perform or deliver products or services to members.

12 C.F.R. §721.3(c). Gift cards are a type of stored value product that FCUs may provide to their members, 12 C.F.R. §721.3(k); please note that we are not authorizing the proposed activity under that provision of the incidental powers regulation. The proposal may involve the Athletic Department issuing gift cards to nonmembers; therefore, the FCU may be receiving payments from nonmembers for the gift cards. An FCU may receive funds into the account of a member from nonmembers. For that reason, we conclude the activity would be permissible under §721.3(c). See also OGC Op. 03-0908 (September 10, 2003) (Under 12 C.F.R. §721.3(c), FCU may process payments on payroll cards its member issues to nonmember employees as a means of making disbursements to third-parties from the member's share draft account) available on the agency website at [nua.gov](http://nua.gov).

Sincerely,

/S/

Sheila A. Albin  
Associate General Counsel

GC/RPK/SAA:bhs  
08-0121