September 19, 2005

Re: Permissibility of Sending Third-Party Marketing Material to Members.

Dear   :

You have asked if it is proper for a federal credit union (FCU) to send promotional materials from an investment brokerage firm with its monthly account statements and newsletters. Yes, mailing promotional materials from third-parties, such as an investment firm, is a legal finder activity for FCUs.

Finder activities are among the preapproved incidental powers of FCUs. 12 C.F.R. §721.3(f). Under NCUA's incidental powers rule, an FCU may act as a finder and introduce or bring together its members with third party vendors so the two parties may negotiate and consummate transactions. Finder activities involve providing information to members about the products or services of third parties and include providing advertising space on an FCU's web site, on ATM receipts, and in a newsletter, or including marketing materials in the mailing of account statements and newsletters.

Finder activities can be a useful way to introduce products and services of interest to members, but which an FCU, itself, does not provide, and FCUs are often able to negotiate group discounts or other benefits on behalf of their members with third parties or receive a fee for referrals. FCUs can act as an intermediary to bring together their members and third parties but an FCU does not represent the vendor or the member when the two parties negotiate or enter into a transaction.

You also noted that, even if legally permissible, that the activity could create a questionable appearance. Our view is that FCUs should exercise good judgment in promoting the products and services of third parties to their members because the activity can subject an FCU to reputation risk if the third parties do not conduct business with members in a satisfactory manner. If members have concerns about a vendor an FCU is promoting, we encourage them to raise their concerns with the credit union's board of directors.

Sincerely,

/s/
Sheila A. Albin
Associate General Counsel

GC/MIG:bhs
05-0823