

NCUA-IR - 81-6 EXAMINATION OF INDEPENDENT CREDIT UNION
SERVICE CENTERS 09/81

NATIONAL CREDIT UNION ADMINISTRATION
INTERPRETIVE RULING AND POLICY STATEMENT

IRPS 81-6; DATE: September 10, 1981

NATIONAL CREDIT UNION ADMINISTRATION

12 C.F.R. 701.16

Interpretive Ruling and Policy Statement

Examination of Independent Credit Union Service Centers

AGENCY: National Credit Union Administration.

ACTION: Statement of Interpretation and Policy.

SUMMARY: This document states that whenever any credit union, subject to examination by NCUA, engages a company or other organization to perform any accounting or EDP services, whether on or off its premises:

- (1) Such performance or provision shall be subject to examination by the Administration to the same extent as if the services were being performed by the credit union itself on its own premises;
- (2) Any resulting examination report, whether or not it was prepared by NCUA, may be distributed to any federally insured credit union receiving services from the organization examined; and
- (3) Any examination report prepared by NCUA may be distributed to other Federal or state regulatory agencies where institutions under their purview receive services from the examined organization.

EFFECTIVE DATE: September 1, 1981.

ADDRESS: National Credit Union Administration, 1776 G Street, N.W.,
Washington, D.C. 20456.

FOR FURTHER INFORMATION CONTACT: Robert S. Monheit, Senior Attorney, Office of General Counsel, Dan Kinne, EDP Audit Specialist or Nick Veghts, Corporate Specialist, Office of Examination and Insurance at the above address.

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SUPPLEMENTARY INFORMATION:

Independent credit union servicers are having an increasing impact on the credit union industry because of the wide range of products and services being offered.

The products and services referred to include computer processing of credit union records, accounting services, and sale of application software to credit unions. It is imperative that, to maintain a comprehensive examination program in light of current technology and the dynamic nature of the credit union industry, NCUA expand its scope of examination to include these independent organizations.

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NCUA interprets the general supervisory powers of NCUA stated in Sections 106 and 204 of the Federal Credit Union Act, (12 U.S.C. 1756 and 1784) to include a power of examination over those institutions providing accounting and recordkeeping services to federally insured credit unions. While the other Federal financial institution regulatory agencies have specific statutory authority to conduct these examinations (12 U.S.C. 1865), the legislative history of that provision reveals that it merely codified existing implicit authority. Analogous implicit authority exists for NCUA, like the other Federal financial institution regulatory agencies, to conduct examinations of independent EDP organizations and credit union service centers.

NCUA also interprets its authority under the Federal Credit Union Act to include distribution of an examination report on any examined EDP or service organization, regardless of the nature of the organization to the extent reasonably necessary to accomplish the purpose for which the report was created, without waiving its privilege to withhold the same report from others under Exemption of the Freedom of Information Act, 5 U.S.C. 552(b)(8). Therefore, so long as a report is distributed to inform a Federal or federally insured state credit union of the quality of EDP or accounting services used for accounting or recordkeeping provided by a particular organization, distribution is proper. Reports, even after distribution, remain the property of NCUA and further distribution by the credit union may not be made without the Agency's written approval.

Distribution of these EDP or credit union service center examination reports to other Federal and state regulatory agencies furthers the effective supervision of banks and other thrift institutions and is, therefore, proper. Federal and state regulatory agencies may distribute reports to individually serviced financial institutions for which they have regulatory responsibility, provided they do so in furtherance of their regulatory/supervisory responsibilities.

Similarly, NCUA may distribute examination reports received from other agencies to applicable credit unions to the extent that these agencies permit distribution.

Approved by the NCUA Board on August 27, 1981.

ROSEMARY BRADY
Secretary of the NCUA Board

August 27, 1981