

December 29, 1993

Kevin McGuire, President
Autobank Insurance Agency
P.O. Box 3308
Santa Rosa, CA 9540

Re: CPI Insurance Fees (Your December 6, 1993, Letter)

Dear Mr. McGuire:

This is in response to your recent letter inquiring whether the National Credit Union Administration (NCUA) has a policy regarding credit union's charging a service fee, in addition to the premium, to members who are issued forced placed insurance.

As discussed in your letter, the collateral protection insurance is to ensure that members provide adequate coverage for the collateral securing their loan. Section 721.2 of the NCUA's Rules and Regulations sets forth the reimbursement and compensation limitations an FCU may receive from third party vendors of insurance. The NCUA does not limit the compensation an FCU may receive in connection with the sale of insurance that is directly related to an extension of credit. (See Section 721.2(b)(1)). Compensation for all other types of insurance is governed by Section 721.2(b)(2) of the Regulations. You should note that FCU's are subject to state laws applicable to the sale of insurance, including any limits the state may place on insurance commissions.

I hope that we have been of assistance.

Sincerely,

Richard S. Schulman
Acting Associate General Counsel

GC/MFR:bhs
SSIC 4700
93-1214