



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

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MAY 24 1985

Mr. Allen Hannaford  
President  
Stewart's Federal Credit Union  
P.O. Box 435  
Saratoga Springs, NY 12866

Dear Mr. Hannaford:

This is in reply to your letter dated April 5, 1985, to this Office concerning the ~~eligibility of corporations to become members of a Federal credit union (FCU) and the legality of corporate share draft accounts~~ pursuant to Section 205(f) of the Federal Credit Union Act (12 U.S.C. §1785(f)).

Specifically, you ask whether an individual entrepreneur, who has incorporated himself (to limit liability), may be a member of the FCU and establish a corporate share draft account under Section 205(f).

First, as to the question of membership of a corporation, we have previously stated that corporations that are either expressly included in an FCU's field of membership or whose owners are members or who are within the field of membership, are eligible for membership in an FCU. Normally, an FCU's charter provides that organizations of those who are expressly stated in the field of membership are eligible for membership. It is this charter provision that authorizes corporations that are not specifically mentioned to be eligible for membership. Therefore, assuming that your charter contains such a provision, corporations (as described above) would be eligible for membership.

Second, as to the issue of the legality of a corporate member of your FCU obtaining a share draft account, we concur with your position that such an account is permitted. Section 205(f) of the FCU Act (12 U.S.C. §1785(f)) authorizes share draft accounts in which the entire beneficial interest in the account is held by a member. Therefore, to the extent that the corporations described in your letter are members of the Credit Union, your Credit Union may offer a share draft account to such corporations. The restriction in Section 205(f)(2) that limits share draft accounts to only those nonprofit organizations which are operated primarily for religious, philanthropic, charitable, or educational purposes does not apply to organizations (corporations, etc.) that are members of the FCU. This restriction applies only to organizations (e.g., other credit



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unions, or organizations establishing accounts at low income FCU's) that are not members of an FCU but who can otherwise legally establish share accounts at the FCU. These organizations cannot open share draft accounts unless they satisfy the restriction.

In conclusion, provided the corporation is a member of your FCU, it would be legal for it to maintain a share draft account at the Credit Union.

I hope that we have been of assistance.

Sincerely,

A handwritten signature in dark ink, appearing to be 'S R Bisker'.

STEVEN R. BISKER  
Assistant General Counsel

cc: RD, Region I (Boston)