



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

GC/SRB:cch  
4630  
January 21, 1986

Office of General Counsel

Mr. Edward G. Welch  
Deputy Commissioner  
Office of the Commissioner of Banks  
The Commonwealth of Massachusetts  
100 Cambridge Street  
Boston, MA 02202

Dear Mr. Welch:

This is in response to your letter dated December 27, 1985, to Mr. Robert Fenner concerning share draft accounts at Federal credit unions ("FCU's"). Specifically, you ask whether an FCU may maintain a dividend-paying share draft account at a corporate Federal credit union.

Sections 107(6) and 205(f) of the FCU Act (12 U.S.C. §§1757(6) and 1785(f)) authorize FCU's and all other federally insured credit unions to maintain share draft accounts. Federally insured credit unions may pay dividends on share draft accounts provided that the:

". . . entire beneficial interest is held by one or more individuals or members or by an organization which is operated primarily for religious,, philanthropic, charitable, educational, or other similar purposes and which is not operated for profit. . . ." (Emphasis added.) Section 205(f)(2) of the FCU Act.

Pursuant to Section 205(f)(2), a corporate Federal credit union could offer a dividend-paying share draft account to its members. Inasmuch as the vast majority of the members of a

FOIA Vol II, E, 2

Mr. Edward G. Welch

JAN. 21, 1986  
Page Two

corporate Federal credit union are other credit unions, they (the member credit unions) would be eligible to maintain dividend-paying share draft accounts.

For your information, the court in A.B.A. v. FHLBB, Civ. Action No. 81-1933 (D.D.C. Sept. 15, 1981), at footnote 1, ruled that credit unions are not eleemosynary organizations not operated for a profit and, therefore, would not be eligible to hold dividend-paying share draft accounts under that provision in Section 205(f)(2). However, as discussed above, credit unions that are members of other federally insured credit unions would be eligible to hold such accounts pursuant to the provision of Section 205(f)(2) relating to "members."

I hope that I have been of assistance. If you have any further questions, please let me know.

Sincerely,

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STEVEN R. BISKER  
Assistant General Counsel

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