



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456
April 14, 1989

GC/RRD:sg
3600

Office of General Counsel

Fred M. Haden, Esq.
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450 Maple Ave., East
Vienna, VA 22180

Re: Board of Directors - Service Awards and
Permissible Expenses (Your February 24, 1989,
Letter)

Dear Mr. Haden:

You have requested our opinion on two issues involving compensation of Federal credit union ("FCU") directors. The first issue is whether members of the board of directors can be awarded based on their years of service to the FCU. An FCU is permitted to give board members awards of nominal value for their service to the FCU. Such awards may be based on time of service to the FCU but should not exceed a nominal value in any case. The second issue is whether an FCU can pay baby-sitting and kennel fees incurred by board members while attending credit union meetings. Baby-sitting costs and kennel fees are not reasonable expenses for board members, and, therefore, are prohibited.

APPLICABLE LAW

Section 111(c) of the FCU Act (12 U.S.C. 1761(c)) provides:

(c) No member of the board or of any other committee shall, as such, be compensated, except that reasonable health, accident, similar insurance protection, and the reimbursement of reasonable expenses incurred

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in the execution of the duties of the position shall not be considered compensation.

Section 112 of the FCU Act (12 U.S.C. 1761a) provides, in part:

Only one board officer may be compensated as an officer of the board. . . .

Section 701.33(b)(1) of the NCUA Rules and Regulations (12 C.F.R. 701.33(b)(1)) addresses compensation of FCU officials and provides:

(1) Only one board officer, if any, may be compensated as an officer of the board. The bylaws must specify the officer to be compensated, if any, as well as the specific duties or responsibilities of the board officers. No other official may receive compensation for performing the duties or responsibilities of the board or committee position to which the person was elected or appointed.

Section 701.33(b)(2) excludes certain payments from the term "compensation" by providing:

(2) For purposes of this section, the term "compensation" specifically excludes: (i) payment (by reimbursement to an official or direct credit union payment to a third party) for reasonable and proper costs incurred by an official in carrying out the responsibilities of the position to which the person was elected or appointed

ANALYSIS

You have asked:

Where a credit union has an awards program that authorizes their employees to be given certain awards based on years of service is it permissible for members of the Board of

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Directors to receive comparable awards for
their period of service?

Your letter does not indicate if the credit union is an FCU or state-chartered credit union. Our opinion applies only to FCU's. In our opinion, an FCU may give its board members an award of nominal value and not be in violation of Section 111 of the FCU Act or Section 701.33 of the NCUA's Rules and Regulations. The award program you present does not provide us with enough information to make a determination as to its permissibility.

The one board officer who is compensated pursuant to Section 112 of the FCU Act and Section 701.33(b) of the NCUA Regulations may be granted awards as part of his/her compensation. Such awards are not limited to a nominal amount.

You also ask:

Would it be permissible for Boards of Directors who are authorized to attend meetings to charge as an expense to the credit union baby-sitting and kennel fees?

In our opinion, these are not reasonable and proper costs and are prohibited by Section 701.33 of the NCUA's Rules and Regulations.

Sincerely,



HATTIE M. ULAN
Assistant General Counsel

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