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August 1, 1989

Mr. Thomas F. Vigueras
Connecticut Credit Union League
P.O. Box 5001
Wallingford, Connecticut 06492

Re: Connecticut's Jurisdiction to Regulate
Advertising for Deposit Activity (Your July
10, 1989, Letter)

Dear Mr. Vigueras:

You have asked whether the State of Connecticut can require federally-chartered credit unions to adopt written policies and procedures for the advertising, communicating and rate compounding for interest-yielding accounts. The answer is no.

BACKGROUND

The Connecticut State Banking Commissioner sent an official request to all financial institutions in the State concerning deposit interest rates. The Commissioner states that, pursuant to state law, all financial institutions are required to make certain interest rate disclosures to depositors. The letter requires all financial institutions, including federally-chartered credit unions, to adopt written policies and procedures for the advertising, communicating and rate compounding for interest-yielding accounts and to submit the policies to the Connecticut Department of Banking.

FOIA

Vol. IV, Part H, Preemption

APPLICABLE LAW

Section 701.35 of the NCUA Rules and Regulations (12 C.F.R. 701.35) states:

(a) Federal credit unions may offer share, share draft, and share draft certificate accounts in accordance with Section 107(6) of the Act (12 U.S.C. §1757(6)) and the board of directors may declare dividends on such accounts as provided in Section 117 of the Act (12 U.S.C. §1763).

(b) A Federal credit union shall accurately represent the terms and conditions of its share, share draft, and share certificate accounts in all advertising, disclosures, or agreements, whether written or oral.

(c) A Federal credit union may, consistent with this Section, other Federal law, and its contractual obligation, determine the type of disclosures, fees or charges, time for crediting of deposited funds, and all other matters affecting the opening, maintaining or closing of a share, share draft or share certificate account. State laws regulating such activities are not applicable to Federal credit unions.

(d) For purposes of this Section, "state law" means the constitution, statutes, regulations, and judicial decisions of any state, the District of Columbia, the several territories and possessions of the United States, and the Commonwealth of Puerto Rico.

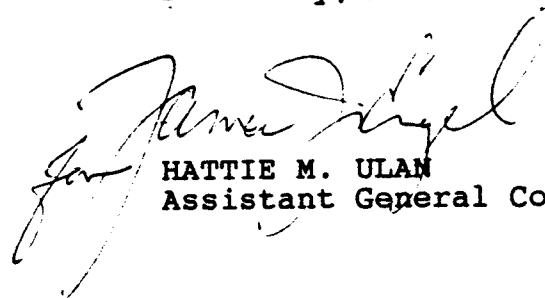
ANALYSIS

Federal credit unions must comply with the Connecticut request unless this matter is preempted by the FCU Act and/or NCUA Rules and Regulations. Section 701.35 of the NCUA Rules and Regulations preempt states from attempting to regulate matters affecting share, share draft or share certificate accounts, to include advertising. Therefore, it is our opinion that FCU's need not comply with the Connecticut request because this issue has been preempted. However, it is interesting to note that there is legislation pending in Congress to require clear and uniform disclosure of interest rates and fees by financial institutions. The mandatory disclosure would include the annual percentage

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yield (APY), the period during which APY is in effect, the annual rate of simple interest, and any minimum balances necessary in order to earn the advertised yield.-

Sincerely,



HATTIE M. ULAN
Assistant General Counsel