



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

Office of General Counsel

GC/MM:sg
SSIC 3701
89-0811

September 5, 1989

Mr. S.C. Wells,
Oregon Credit Union League
P.O. Box 1900
Beaverton, OR 97075

Re: Termination of Account by Application of Article
III, Section 3 (Your August 1, 1989, Letter)

Dear Mr. Wells:

You have asked whether Article III, Section 3 of the Standard Federal Credit Union Bylaws (FCU Bylaws) can be used to terminate a member's account when the member reduces his share balance below the par value of one share. The answer is yes, as long as the member has at least six months to increase the balance to the par value of one share.

ANALYSIS

Article III, Section 3 of the FCU Bylaws provides:

Section 3. A member who fails to complete payment of one share within _____ of his admission to membership or within _____ from the increase in the par value of shares, or a member who reduces his share balance below the par value of one share and does not increase the balance to at least the par value of one share within _____ of the reduction may be terminated from membership. (Note: The board shall specify the time period of at least 6 months and insert the same time periods in each blank.)

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Article III, Section 3 has been interpreted to apply when a member's account falls below the equivalent of a single share or when it is involuntarily reduced to zero by the FCU through the assessment of maintenance fees, late charges, or statutory lien. Therefore, when a member allows his account to fall below the par value of one share, and does not increase the account to par value within the time specified in the bylaw, then the members account may be terminated by operation of Article III, Section 3.

The member retains his/her membership during the time between the account falling below par value and the termination of the account. However, once the time period has expired, the account can be closed and membership terminated. The former member would then need to reapply for membership in the FCU if he/she wished to obtain its services.

Sincerely,

Hattie M. Ulan

HATTIE M. ULAN
Assistant General Counsel