



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

October 31, 1989

Office of General Counsel

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Mr. Robert S. Bascom
Information Specialist
Compliance & Governmental Affairs Division
New York State Credit Union League
P.O. Box 15021
Albany NY 12212-5021

Re: Compensation of FCU Officials (Your September 28, 1989,
Letter)

Dear Mr. Bascom:

You asked if a Federal credit union ("FCU") may offer members of its board of directors preferential services -- for example, a higher dividend rate on directors' share accounts than that paid to other members. You question whether Section 701.21(d)(5) of the NCUA Regulations (12 C.F.R. §701.21(d)(5)), which bars preferential loan treatment for FCU officials, governs other credit union services, such as dividend rates paid on share accounts. Such preferential treatment would be considered impermissible compensation to board members. Only one board officer may be compensated for his or her duties on the board.

ANALYSIS

The proscriptions to preferential loans found in Section 701.21(d)(5) of the NCUA Regulations applies to FCU directors and other designated persons. It covers only preferential treatment on loans. Section 701.33(b)(1) of the NCUA Regulations (12 C.F.R. §701.33(b)(1)) prohibits compensation of directors except as provided. Section 701.33(b)(1) provides:

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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 of each 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 has been elected or appointed.

This Section goes on to exclude officials' expenses and certain types of insurance from the definition of compensation. Except for those exclusions, Section 701.33 prohibits all forms of compensation, whether taking the form of preferential loan rates or preferential dividends rates.

Sincerely,

Hattie M. Ulan

HATTIE M. ULAN
Assistant General Counsel