

NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

December 21, 1990

Ernestine Winters  
Credit Union Operations Consultant  
Tennessee Credit Union League  
P.O. Box 21550  
Chattanooga, TN 37421-0550

RE: Dividends on Minimum Share Accounts  
and Payment of Tiered Rate Dividends

Dear Ms. Winters:

You requested a legal opinion on the following issues:  
(1) What are the current requirements for paying tiered rate dividends?; (2) Is a federal credit union ("FCU") required to offer a regular share account and, if so, must it pay a uniform dividend regardless of the balance?; (3) If a FCU does not offer a regular share account, is it required to offer another type minimum balance (par) account, such as share drafts, CD, tiered rate share account, etc.?; and (4) By what means may an FCU cease offering regular share accounts?

The answers to some of your inquiries are contained in the letter dated November 16, 1990, that I have attached for your information. In brief, our responses to your questions are as follows: (1) FCUs with a par value of a share of \$5 or below may have any dividend policy providing for tiered dividends on a regular share account; FCUs with a par value of a share of above \$5 may have a dividend policy providing for tiered dividends only if a dividend is paid on all funds in the regular share account once par value is reached; (2) FCUs are not required to offer regular share accounts; (3) FCUs are not required to offer a minimum balance account if they do not offer a regular share account; and (4) FCUs may cease offering regular share accounts by a resolution to that effect adopted by the board of directors of the FCU with adequate notice given to the FCU membership of the change; no

FCIA  
Vol

III, B, 3

Ernestine Winters

December 21, 1990

Page 2

bylaw amendment is necessary to achieve the change. As no bylaw amendment is necessary to achieve the conversion of accounts; no standard bylaw amendment is necessary.

Sincerely,

*Hattie M. Ulan*

Hattie M. Ulan  
Associate General Counsel

Enclosures

GC/MEC:sg  
SSIC 3501  
90-0842