NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

March 21, 1990

Office of General Counsel

Mr. Michael S. Vadala
Controller Summit Federal Credit Union
120 Sibley Tower
Rochester, New York 14604

Re: Corporate Share Accounts (Your February 5, 1990, Letter)

Dear Mr. Vadala:

You requested information and opinion letters concerning dividends on and insurance of corporate accounts. Enclosed please find several letters regarding these issues. The major points addressed in the opinion letters include the following: 1) corporations within the field of membership may be permitted to join the credit union; 2) federal credit unions may pay dividends on member share draft accounts maintained by corporations; 3) member corporate accounts generally are separately insured up to $100,000 in the aggregate, as long as the corporate entity is engaged in an independent activity. If not, the account is added to the owning member's other accounts for insurance purposes.

Please contact this Office if you have any further questions.

Sincerely,

Hattie M. Ulan

Hattie M. Ulan
Associate General Counsel

GC/MM:sg
SSIC 8010
90-0212
Enclosures

FOIA
Vol. IV, C Insurance Coverage

Chron File

NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

Office of General Counsel

GC/MM:sg
SSIC 7000
89-1027

January 2, 1990

Ms. Jean Kushel
Lawyers Credit Union
Biscayne Building
19 West Flagler Street
12th Floor
Miami, Florida 33130

Re: Insurance Coverage of Various Accounts (Your October, 20, 1989, Letter)

Dear Ms. Kushel:

You have asked us for information on how corporate accounts, profit sharing accounts, and trust accounts are insured by the National Credit Union Share Insurance Fund (NCUSIF).

BACKGROUND

The Federal Credit Union Act authorizes insurance coverage up to $100,000 for various types of accounts. If a member has more than one single-ownership account in a federally-insured credit union, those accounts are generally added together and are insured up to $100,000 in the aggregate. However, there are several types of accounts that can qualify for separate insurance coverage, some of which are discussed below. Part 745 of the NCUA Rules and Regulations (12 C.F.R. 745) sets forth how accounts are insured by the NCUSIF.

Corporate accounts are insured in accordance with Section 745.6 of the NCUA Rules and Regulations (12 C.F.R. 745.6), which states:

> Accounts of a corporation, partnership, or unincorporated association engaged in any independent activity shall be insured up to $100,000 in the aggregate. The account of a corporation, partnership, or unincorporated association not engaged in an independent activity shall be deemed to be owned by the person or persons owning such corporation or comprising such partnership or unincorporated association and, for account insurance purposes, the interest of each person in such an account shall be added to any other account individually owned by such person and insured up to $100,000 in the aggregate. For purposes of this section, "independent activity" means an activity other than one directed solely at increasing insurance coverage.

In general, corporate accounts are separately insured up to $100,000 in the aggregate, as long as the corporate entity is engaged in an independent activity. If not, the account is added to the owning member's other accounts for insurance purposes.

Irrevocable trust accounts are insured in accordance with Section 745.9-1 of the NCUA Regulations. This section states in part that all trust interests:

> . . . for the same beneficiary, deposited in an account and established pursuant to valid trust agreements created by the same settlor (grantor) shall be added together and insured up to $100,000 in the aggregate, separately from other accounts of the trustee of such trust funds or the settlor or beneficiary of such trust arrangements.

Revocable trust accounts are treated differently for insurance purposes. Revocable trust accounts that are testamentary in nature are insured pursuant to Section 745.4 of the NCUA Regulations. Generally, testamentary accounts are added with a member's individual accounts and insured to $100,000 in the aggregate. (See Section 745.4(c) of the NCUA Regulations.) There is, however, additional insurance coverage available for certain beneficiaries of testamentary accounts. Section 745.4(b) states:

> (b) If the named beneficiary of a testamentary account is a spouse, child, or grandchild of the owner, the account shall be insured up to $100,000 in the aggregate as to each such beneficiary, separately from any other accounts of the owner or beneficiary, regardless of the membership status of the beneficiary.

Those revocable trust accounts which are not testamentary in nature are treated as accounts "held by agents or nominees," and are insured in accordance with Section 745.3(a)(2) of NCUA's Regulations, which states:

> Funds owned by a principal and deposited in one or more accounts in the name or names of agents or nominees shall be added to any individual account of the principal and insured up to $100,000 in the aggregate.

IRA/Keogh Accounts are insured in accordance with Section 745.9-2(a) of the NCUA Regulations (12 C.F.R. 745.9-2(a)), which states that the:

> . . . present vested ascertainable interest of a participant or designated beneficiary in a trust or custodial account maintained pursuant to a pension or profit-sharing plan described under §401(d) (Keogh account) or §408(a) (IRA) of the Internal Revenue Code shall each be insured up to $100,000 separately from other accounts of the participant or designated beneficiary. An IRA account shall be separately insured from a Keogh account.

Deferred compensation accounts are insured in accordance with Section 745.9-3 of the NCUA Regulations (12 C.F.R. 745.9-3), which states:

> Funds deposited by an employer pursuant to a deferred compensation plan (including §401(k) of the Internal Revenue Code) shall be insured up to $100,000 as to the interest of each plan participant who is a member, separately from other accounts of the participant or employer.

IRA, Keogh, and deferred compensation accounts are insured separately from each other and from other types of accounts that the member maintains in the same credit union.

ANALYSIS

As you can see from the cited regulations, a member may obtain insurance coverage in excess of $100,000 at a credit union if the member establishes different types of accounts that qualify for separate insurance coverage. For example, a member may establish a regular share account of $100,000 and an IRA of $100,000 and be insured for $200,000. However, if a member deposited the entire $200,000 in an IRA, the member's insurance coverage would only be $100,000. Since there are numerous ways to establish insurance in excess of $100,000, it is up to the member, after conferring with the credit union, to determine which way to structure the accounts.

The regulations cited in this letter apply to Federal credit unions and federally-insured state-chartered credit unions. Enclosed is a pamphlet entitled "Your Insured Funds" (NCUA Publication 8046), which you may find helpful.

Sincerely,

Hattie M. Ulan

HATTIE M. ULAN
Associate General Counsel

Enclosure

GC/RD: 89
8000

NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

November 30, 1988

Office of General Counsel

Mark Schweinfurth
Finance Director
Cinco Federal Credit Union
Auburn and William Howard Taft
Cincinnati, Ohio 45219

RE: Share Insurance for Various Federal Credit Union Accounts (Your April 27, 1988, Letter)

Dear Mr. Schweinfurth:

Your have asked our opinion concerning four issues of National Credit Union Administration ("NCUA") account insurance:

1. "If an account is joint i.e. two business partners, would the account be insured up to $200,000 ($100,000 for each partner)?" This account will be insured to $100,000 whether it is treated as a joint account (with joint owners who happen to be business partners) or a partnership account. A partnership is treated for Federal insurance purposes as an entity separate and apart from its members. A partnership account is therefore insured to $100,000, separate and apart from the $100,000 insurance coverage for any individual accounts held by members of the partnership. If it is simply a joint account, and not a business account of the partnership, it will be insured for $100,000 separate from any individual account of the joint owners.

2. "If an organization has an account with a custodian or trustee authorized to conduct their business, can they open another account with a different custodian or trustee and have each account insured to $100,000?" Without more specific information, we cannot give an opinion. In general, however, simply adding different accounts with different custodians or trustees will not increase insurance coverage.

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3. "If an organization has several different accounts listed as funds for different purposes or funding activities would each account be insured up to $100,000 regardless of whether they have the same custodian or trustee?" Once again, we would need more specific information to give an opinion. But as a general rule, where the funds deposited are the property of one organization in pursuit of a single activity, the accounts are added together and insured to the $100,000 maximum.

4. If a custodial account is established for the benefit of more than one person, will the ascertainable interest of each owner/principal be insured up to $100,000? In the standard custodial account, each owner/principal's funds in an account held by a custodian would be added to any other individual accounts that person may have in the FCU and insured to $100,000 in the aggregate.

Partnership Accounts

Section 745.6 of the NCUA Rules and Regulations [12 C.F.R. 745.6] provides:

> Accounts of a corporation, partnership, or unincorporated association engaged in any independent activity shall be insured up to $100,000 in the aggregate. The account of a corporation, partnership, or unincorporated association not engaged in an independent activity shall be deemed to be owned by the person or persons owning such corporation or comprising such partnership or unincorporated association and, for account insurance purposes, the interest of each person in such an account shall be added to any other account individually owned by such person and insured up to $100,000 in the aggregate. For purposes of this section, "independent activity" means an activity other than one directed solely at increasing insurance coverage.

A partnership is treated as a separate entity for Federal insurance purposes.[1] It is insured up to $100,000 in its own right separate and apart from the insurance provided to individual accounts of its members.

[1]This is also true for membership purposes. The partnership itself would have to be within the credit union field of membership.

Joint Account

Section 745.8 of the NCUA Rules and Regulations [12 C.F.R. 745.8] provides:

> (a) Separate insurance coverage. Accounts owned jointly, whether as joint tenants with right of survivorship, as tenants by the entireties, as tenants in common, or by husband and wife as community property, shall be insured separately from accounts individually owned by any of the co-owners.

The fact that the joint owners happen to be business partners does not, in and of itself, require that the account be treated as something other than a joint account. To qualify as a joint account, each joint owner would have to sign an account signature-card and each would have to have equal withdrawal rights. If the account fails to qualify, the actual ownership of each joint owner would be added to the owner's individual accounts and insured up to $100,000.

Trustee Accounts Held for an Organization

We are uncertain what kind of situation you are referring to in your second question. A trustee in bankruptcy, for example, may be authorized to conduct the bankrupt organization's business. Such a trustee may be able to establish an individual account in the name of a member organization and, through a trustee, an irrevocable trust account with the organization as settler. The member organization's individual account would be insured up to $100,000 and the irrevocable trust account, established under Section 745.9-1 of NCUA's Rules and Regulations [12 C.F.R. 745.9-1], would be separately insured to $100,000.

As a general rule, however, merely establishing separate irrevocable trust accounts, identical except for the trustee, will not increase insurance coverage. Section 745.9-1(b) of NCUA's Rules and Regulations [12 C.F.R. 745.9-1(b)] provides:

> All [irrevocable] trust interests ... for the same beneficiary, deposited in an account and established pursuant to valid trust agreements created by the same settlor (grantor) shall be added together and insured up to $100,000 in the aggregate, separately from other accounts

> of the trustee of such trust funds or the settlor or beneficiary of such trust arrangements.

Organizational Accounts Established for Different Purposes

These two examples of coverage under Section 745.6 are given in the Appendix to Part 745 [12 C.F.R. Part 745, App. Section D, Ex. 2, 3.]:

> Question: Member C college maintains three separate accounts with the same credit union under the titles: "General Operating Fund," "Teachers Salaries," and "Building Fund." What is the insurance coverage?
>
> Answer: Since all of the funds are the property of the college, the three accounts are added together and insured only to the $100,000 maximum.
>
> * * *
>
> Question: The men's club of X Church carries on various social activities in addition to holding several fund-raising campaigns for the church each year. The club is supported by membership dues. Both the club and X Church maintain member accounts in the same credit union. What is the insurance coverage?
>
> Answer: The men's club is an unincorporated association engaged in an independent activity. If the club funds are, in fact, legally owned by the club itself and not the church, each account is separately insured to the $100,00 maximum.

Again, the issue is who is the owner of the funds, not whether the custodian or trustee is different.

Insurance of Fractional Interests

You enclosed a copy of an FDIC interpretation of its insurance coverage for custodial accounts established with funds from more than one person:

> The Board of Directors has concluded that, if the records of the depositor, maintained in

> good faith and in the regular course of business, reflect, at all times, the name and ascertainable interest of each owner in a specifically designated custodial deposit, such interest may be determined on a fractional or percentage basis. This may be accomplished in any manner which indicates that where the funds of an owner are commingled with other funds held in custody and portion thereof is placed on deposit in one or more insured banks, his interest in a custodial deposit in any one insured bank would represent at any given time the same fractional share as his share of the total commingled funds.

NCUA's practice is the same. This is the same principle that is applied in the case of employee retirement accounts. See 12 C.F.R. Part 745, App. Section G, last paragraph and Ex. 3(a), attached.

Sincerely,

JAMES J. ENGEL
Deputy General Counsel

HMU:sg

Attachment

Answer: Accounts numbered 1 and 2 are each separately insured for $100,000 as individual accounts held by A, B, respectively (§745.3(a)). With respect to the joint accounts, accounts numbered 3 and 4 are owned by the same combination of individuals and are added together and insured to a maximum of $100,000, leaving $200,000 uninsured (§745.8(d)). A, B and C each have a $33,334 insured interest in accounts 3 and 4. A and B also maintain a joint account, account number 5. Because C has no interest in this account, it is owned by a combination of individuals different from accounts 3 and 4. The interests of A and B in account number 5 are deemed to be equal (§745.2(c)(4)). A's $50,000 interest in account 5 is added to his insured interest in accounts 3 and 4, giving him a total of $83,334 insurance coverage for his interests in the various joint accounts, in addition to the insurance in the amount of $100,000 provided for his individual account. B's interests in accounts 3, 4 and 5 are identical to A's and her interests are insured in a like manner.

G. TRUST ACCOUNTS AND RETIREMENT ACCOUNTS.

A trust estate is the interest of a beneficiary in an irrevocable express trust, whether created by trust instrument or statute, that is valid under state law. Thus, funds invested in an account by a trustee under an irrevocable express trust are insured on the basis of the beneficial interests under such trust. The interest of each beneficiary in an account (or accounts) established under such a trust arrangement is insured to $100,000 separately from other accounts held by the trustee, the settlor (grantor), or the beneficiary. However, in cases where a beneficiary has an interest in more than one trust arrangement created by the same settlor, the interests of the beneficiary in all accounts established under such trusts are added together for insurance purposes, and the beneficiary's aggregate interest derived from the same settlor is separately insured to the $100,000 maximum.

A beneficiary's interest in an account established pursuant to an irrevocable express trust arrangement is insured separately from other beneficial interests (trust estates) invested in the same account if the value of the beneficiary's interest (trust estate) can be determined (as of the date of a credit union's insolvency) without evaluation of contingencies except for those covered by the present worth tables and rules of calculation for their use set forth in §20.2031-10 of the Federal Estate Tax Regulations (26 C.F.R. 20-2031-10). If any trust estates in such an account cannot be so determined, the insurance with respect to all such trust estates together shall not exceed the basic insured amount of $100,000.

In order for insurance coverage of trust accounts to be effective in accordance with the foregoing rules, certain recordkeeping requirements must be met. In connection with each trust account, the credit union's records must indicate the name of both the settlor and the trustee of the trust and must contain an account signature card executed by the trustee indicating the fiduciary capacity of the trustee. In addition, the interests of the beneficiaries under the trust must be ascertainable from the records of either the credit union or the trustee, and the settlor or beneficiary must be a member of the credit union. If there are two or more settlors or beneficiaries, then either all the settlors or all the beneficiaries must be members of the credit union.

Although each ascertainable trust estate is separately insured, it should be noted that in short-term trusts the insurable interest or interests may be very small, since the interests are computed only for the duration of the trust. Thus, if a trust is made irrevocable for a specified period of time, the beneficial interest will be calculated in terms of the length of time stated. A reversionary interest retained by the settlor is treated in the same manner as an individual account of the settlor.

As stated, the trust must be valid under local law. A trust which does not meet local requirements, such as one imposing no duties on the trustee or conveying no interest to the beneficiary, is of no effect for insurance purposes. An account in which such funds are invested is considered to be an individual account.

An account established pursuant to a revocable trust arrangement is insured as a form of individual account and is treated under Section B, supra, dealing with Testamentary Accounts.

IRA and Keogh accounts are separately insured, each up to $100,000. Although credit unions may serve as trustees or custodians for self-directed IRA and Keogh accounts, once the funds are taken out of the credit union, they are no longer insured.

In the case of an employee retirement fund where only a portion of the fund is placed in a credit union account, the amount of insurance available to an individual member/beneficiary on his interest in the account will be in proportion to his interest in the entire employee retirement fund.

If, for example, the member's interest represents 10% of the entire plan funds, then he is presumed to have only a 10% interest in the plan account. Said another way, if a member has a vested interest of $10,000 in a municipal employees retirement plan and the trustee invests 25% of the total plan funds in a credit union, the member would be insured for only $2,500 on that credit union account. There is an exception, however. The member would be insured for $10,000 if the trustee can document, through records maintained in the ordinary course of business, that individual beneficiary's interests are segregated and the total vested interest of the member was, in fact, invested in that account.

Example 1

Question: Member S invests $45,000 in trust for B, the beneficiary. S also has an individual account containing $90,000 in the same credit union. What is the insurance coverage?

Answer: Both accounts are fully insured. The trust account is separately insured from the individual account of S (§§754.3(a) and 745.9-1(a)).

Example 2

Question: S invests funds in trust for A, B, C, D, and E. A, B, and C are members of the credit union, D, E, and S are not. What is the insurance coverage?

Answer: This is an uninsurable account. Where there is more than one settlor or more than one beneficiary, all the settlors or all the beneficiaries must be members to establish this type of account. since D, E and S are not members, this account cannot legally be established or insured.

Example 3

Question: Member S invests $500,000 in trust for ABC Employees Retirement Fund. Some of the beneficiaries are members and some are not. What is the insurance coverage?

Answer: The account is insured as to the determinable interests of each member beneficiary to a maximum of $100,000 per member. Member interests not capable of evaluation and nonmember interests shall be added together and insured to a maximum of $100,000 in the aggregate (§745.9-1).

Example 3(a)

Question: Member S is trustee for the ABC Employees Retirement Fund containing $1,000,000. Member A has a determinable interest of $90,000 in the Fund (9% of the total). S invests $500,000 of the Fund in trust in an insured credit union and the remaining $500,000 elsewhere. Some of the beneficiaries of the Fund are members of the credit union and some are not. S does not segregate each employee's interest in the Fund. What is the insurance coverage?

Answer: The account is insured as to determinable interest of each member beneficiary, adjusted in proportion to the Fund's investment in the credit union. A's insured interest in the account is $45,000, or 9% of $500,000. This reflects the fact that only 50% of the Fund is in the account and A's interest in the account is in the same proportion as his interest in the overall plan. Each beneficiary who is a member would be similarly insured. Members' interests not capable of evaluation and nonmembers' interests are added together and insured to a maximum of $100,000 in the aggregate. (§745.9-1.)

Example 4

Question: Member A has an individual account of $100,000 and establishes an IRA and accumulates $50,000 in that account. Subsequently A becomes self employed and establishes a Keogh account in the same credit union and accumulates $100,000 in that account. What is the insurance coverage?

Answer: Each of A's accounts would be separately insured for up to $100,000. In the example, A would be fully insured for $250,000 (§§745.3(a) and 745.9-2).

Example 5

Question: Member A has a self-directed IRA account with $70,000 in it. The FCU is the trustee of the account. Member transfers $40,000 into a blue chip stock; $30,000 remains in the FCU. What is the insurance coverage?

Answer: Originally, the full $70,000 in A's IRA account is insured. The $40,000 is no longer insured once it is moved out of the FCU. The $30,000 remaining in the FCU is insured (§745.9-2).

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NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

March 31, 1988

Office of General Counsel

Mr. David A. Kwant
Supervisor of Credit Unions
Department of Financial Institutions
State of Utah
P.O. Box 89
Salt Lake City, Utah 84110-0089

Re: Payment of Dividends on Share Draft Accounts (Your February 5, 1988, Letter)

Dear Dave:

You have asked for an explanation of when, under Federal law, a federally-insured credit union ("FICU") may pay dividends on share draft accounts. Under Section 205(f) of the Federal Credit Union ("FCU") Act [12 U.S.C. §1785(f)], an FICU can offer share draft accounts to: (1) members, regardless of whether they are natural persons or for-profit or not-for-profit corporations, partnerships, or associations; (2) nonmember individuals who can legally establish an account at the FICU; (3) nonmember organizations "operated primarily for religious, philanthropic, charitable, educational, or other similar purposes and which [are] not operated for profit," who also can legally establish an account at the FICU; and (4) agents for public funds. Section 205(f) allows FICU'S to pay dividends on all these share draft accounts.

Persons and Entities Able to Establish an Account at an FICU

Section 107(6) of the FCU Act [12 U.S.C. §1757(6)], authorizes an FCU to:

> receive [payments, representing equity,] from its members, from other credit unions, from an officer, employee, or agent of . . . [certain] nonmember units of Federal, Indian Tribal, State, or local governments and political subdivisions, . . . from the

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> Central Liquidity Facility, and from nonmembers in the case of credit unions serving predominantly low-income members . . . .

Depending on the field of membership defined in an FCU's charter, its member may include natural persons and nonnatural persons -- corporations, partnerships, associations, and other organizations, whether or not organized for profit. 12 U.S.C. §1759.

State chartered FICU's may be empowered to accept deposits from an even broader array of persons.

Persons and Entities Able under Federal Law to Establish a Share Draft Account

Section 205(f) of the Federal Credit Union Act [12 U.S.C. § 1785(f)] states:

> (1) Every insured credit union is authorized to maintain, and make loans with respect to, share draft accounts in accordance with rules and regulations prescribed by the Board. Except as provided in paragraph (2), an insured credit union may pay dividends on share draft accounts. . . .
>
> (2) Paragraph (1) shall apply only with respect to share draft accounts in which the entire beneficial interest is held by one or more individuals or members or by an organization which is operated primarily for religious, philanthropic, charitable, educational, or other similar purposes and which is not operated for profit, and with respect to deposits of public funds by an officer, employee, or agent of the United States, any State, county, municipality, or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, Guam, any territory or possession of the United States, or any political subdivision thereof.

The net effect of this provision is to allow FICU's to offer share draft accounts to four classes of persons:

1. "Members": Depending on the field of membership defined in an FCU's charter, its members may include natural persons and nonnatural persons -- corporations, partnerships, associations, and other organizations, whether or not organized for profit. 12 U.S.C. Section 1759. State-chartered FICU's may be empowered to accept deposits from an even broader array of persons.

2. Nonmember "individuals": This class adds nonmember natural persons -- e.g., nonmembers establishing share draft accounts at a credit union designated as serving predominantly low-income members; nonmembers legally establishing share draft accounts at state-chartered FICU's.

3. Certain "organizations . . . not operated for profit": This class adds certain nonmember organizations -- e.g., a religious group establishing a nonmember share draft account at a credit union designated as serving predominantly low-income members.

4. Agents for certain public unit funds.

Persons and Entities Able Under Federal Law to Receive Dividends on FICU Share Draft Accounts

Under section 205(f) of the FCU Act [12 U.S.C. §1785(f)] an FICU can pay dividends on all share draft accounts it is thereby authorized to offer. It can therefore pay dividends on share draft accounts of "members," nonmember "individuals," certain described "organizations . . . not operated for profit," and agents for certain public unit funds.

Sincerely,

ROBERT M. FENNER
General Counsel

JT:jt

NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

LS/YG:cch
4630
May 24, 1985

Mr. Allen Hannaford
President
Stewart's Federal Credit Union
P.O. Box 435
Saratoga Springs, NY 12866

Dear Mr. Hannaford:

This is in reply to your letter dated April 5, 1985, to this Office concerning the eligibility of corporations to become members of a Federal credit union (FCU) and the legality of corporate share draft accounts pursuant to Section 205(f) of the Federal Credit Union Act (12 U.S.C. §1785(f)).

Specifically, you ask whether an individual entrepreneur, who has incorporated himself (to limit liability), may be a member of the FCU and establish a corporate share draft account under Section 205(f).

First, as to the question of membership of a corporation, we have previously stated that corporations that are either expressly included in an FCU's field of membership or whose owners are members or who are within the field of membership, are eligible for membership in an FCU. Normally, an FCU's charter provides that organizations of those who are expressly stated in the field of membership are eligible for membership. It is this charter provision that authorizes corporations that are not specifically mentioned to be eligible for membership. Therefore, assuming that your charter contains such a provision, corporations (as described above) would be eligible for membership.

Second, as to the issue of the legality of a corporate member of your FCU obtaining a share draft account, we concur with your position that such an account is permitted. Section 205(f) of the FCU Act (12 U.S.C. §1785(f)) authorizes share draft accounts in which the entire beneficial interest in the account is held by a member. Therefore, to the extent that the corporations described in your letter are members of the Credit Union, your Credit Union may offer a share draft account to such corporations. The restriction in Section 205(f)(2) that limits share draft accounts to only those nonprofit organizations which are operated primarily for religious, philanthropic, charitable, or educational purposes does <u>not</u> apply to organizations (corporations, etc.) that are <u>members</u> of the FCU. This restriction applies only to organizations (e.g., other credit

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unions, or organizations establishing accounts at low income FCU's) that are not members of an FCU but who can otherwise legally establish share accounts at the FCU. These organizations cannot open share draft accounts unless they satisfy the restriction.

In conclusion, provided the corporation is a member of your FCU, it would be legal for it to maintain a share draft account at the Credit Union.

I hope that we have been of assistance.

Sincerely,

STEVEN R. BISKER
Assistant General Counsel

cc: RD, Region I (Boston)