



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

March 26, 1990

Office of General Counsel

Walter Hotz, Esq.  
Suite 150  
11 La Vista Perimeter Office Park  
Tucker, Georgia 30084

Re: Cancellation of "Regular Share Accounts" (Your  
March 6, 1990, Letter)

Dear Mr. Hotz:

You asked that we review the steps a federal credit union ("FCU") intends to take in changing the name of its regular share accounts to prime share accounts. The name change is being made to comply with an opinion from this office regarding payment of dividends on regular share accounts. The steps you outlined are sufficient to accomplish the change in name.

BACKGROUND

This office has interpreted Section 117 of the FCU Act (12 U.S.C. 1763) to require that when par value is greater than \$5, once a full share has been purchased and dividends have been declared, dividends must be paid on the total dollar amount in the regular share account. An FCU cannot require a minimum balance in excess of par value before dividends will be earned on a regular share account. However, we have further stated that an FCU is not required to offer a regular share account. A regular share account is an account that does not require a holder to maintain a balance greater than par value and that qualifies for a dividend.

The FCU you represent offers a share account that does not receive dividends until a certain primary balance exceeding par value is attained. Although the FCU refers to this account as a

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Vol. III B3 Dividends

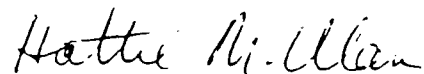
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"regular share account" and while it is a permissible account for an FCU to offer, it is not what we define as a "regular share account." Calling it a regular share account may subject it to the Section 117 requirements regarding payment of dividends. The FCU cannot refer to the account as a regular share account if dividends are not to be paid until a certain balance is reached.

The FCU intends to change only the name of its account, not its terms and conditions. The FCU plans to accomplish the change as follows: the FCU board of directors will resolve to cease offering regular share accounts and will convert all regular share accounts to the new "prime" share accounts. To inform the members of the change, a notice will be posted in the lobby of each of the FCU's branches stating that the name of the account has been changed, but that all terms of the regular share account will apply to the prime share account.

We believe that the steps the FCU plans to undertake to accomplish the change in account name are sufficient. We would note that, although Section 117 of the FCU Act requires that an FCU make a distinction between regular share accounts and other types of share accounts for purposes of paying dividends, FCU's will continue to report all minimum balance accounts and similar accounts as "regular shares" on their call reports (Form 5300).

Sincerely,



Hattie M. Ulan  
Associate General Counsel

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