



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

July 2, 1990

Gary Greenwald, Esq.  
Reichelt, Nussbaum, Brown,  
Dukes & LaPlaca  
P.O. Box 627  
Greenbelt, Maryland 20770

RE: Gifts to Members (Your December 12, 1989,  
Letter)

Dear Mr. Greenwald:

You have asked us whether there are any limits on the value of a gift a Federal credit union ("FCU") may give to its members. We assume your question relates to permissible promotional activities. There is no specific dollar limit on the value of promotional gifts. The value must be reasonable in light of the anticipated benefits to be derived from the promotion.

ANALYSIS

Section 107(17) of the FCU Act (12 U.S.C. §1757(17)) empowers an FCU to "exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated." The "incidental powers" authority includes an activity that:

is convenient or useful in connection with the performance of one of the . . . established activities pursuant to its express powers. . . . If this connection between an incidental activity and an express power does not exist, the activity is not authorized as an incidental power.

Arnold Tours v. Camp, 472 F.2d 427 (1st Cir. 1972) for national banks; applied to credit unions in American Bankers Ass'n v. Connell, 447 F.Supp. 296 (D.D.C. 1978).

The Arnold Tours case also suggests that national banks can provide some goodwill services for their customers without meeting

FCIA

Vol. II Part B Promotional Plans

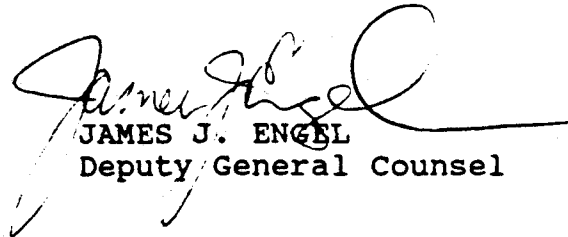
Gary Greenwald, Esq.  
July 2, 1990  
Page 2

the requirements of an incidental power. See Arnold Tours, 472 F.2d at 433.

Activities designed to promote an FCU or its services are considered an incidental power. An example of such a promotional program is one that targets those individuals who are within an FCU's field of membership but are not yet members. Under such a program, instead of individuals depositing their own funds for the initial share, the FCU, as a promotion, may make the deposits on the potential members' behalf to promote membership in the FCU.

I hope the above in responsive to your question I also apologize for the delay in responding.

Sincerely,



JAMES J. ENGEL  
Deputy General Counsel

GC/JJE/MM:sg  
SSIC 3800  
89-1226