



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

July 24, 1990

GC/LH:sg  
SSIC 4062  
90-0523

Henrietta Rogers, Manager  
Wheat Street Church Federal Credit Union  
375 Auburn Ave. N.E.  
Atlanta, GA 30312

Re: Opinion Letter #89-0905  
(Your April, 23, 1990, Letter)

Dear Ms. Rogers:

You have asked about Opinion Letter #89-0905 from this Office, which addresses the issue of whether paid employees of a credit union may serve on the board of directors of the credit union. Enclosed please find a copy of that letter, another letter on the same issue, and the relevant federal credit union bylaws and standard bylaw amendments. A review must be made of your particular credit union's bylaws in order to determine whether or not the manager can serve on the board.

Sincerely,

Hattie M. Ulan  
Associate General Counsel

Enclosures

FOIA

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NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

Office of General Counsel

GC\RRD:sg  
SSIC 4062  
89-0905

October 6, 1989

Lawrence C. Williams, Administrator  
State of Alabama Credit Union Administration  
771 South Lawrence St.  
Suite 103  
Montgomery, AL 36130-0901

Re: Federal Credit Union Employees Elected to  
Board of Directors (Your September 1, 1989,  
Letter)

Dear Mr. Williams:

You have asked for a copy of an opinion concerning whether paid employees of a credit union may be elected and serve on the board of directors of a Federal credit union (FCU). Enclosed please find an NCUA opinion letter dated September 29, 1988 which addresses the issue you present.

The letter applies only to federally-chartered credit unions. It does not apply to state-chartered credit unions. In summary, FCU members who are also FCU employees may serve on the FCU's board of directors and be compensated as employees of the FCU. Pursuant to Section 112 of the FCU Act (12 U.S.C. 1761a), one FCU board officer may be compensated for his/her duties as such. In most FCU's, this person is the FCU's financial officer, although Section 112 of the FCU Act does not require that the compensated officer be the financial officer. The compensated board officer may also be compensated as an FCU employee. The Standard FCU Bylaws prohibit the FCU manager from serving on the FCU's board of directors (see Article VIII, Section 6 of the FCU Bylaws). The FCU board may adopt a standard FCU bylaw amendment which permits the manager to serve on the board. In addition, standard amendments permit the FCU board to limit the number of FCU

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employees who may be elected to the board. Copies of the Standard FCU Bylaws and the FCU Standard Bylaw Amendments and Guidelines are enclosed.

Sincerely,

*Hattie M. Ulan*

HATTIE M. ULAN  
Assistant General Counsel

Enclosures



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NATIONAL CREDIT UNION ADMINISTRATION

Washington, D.C. 20456

September 29, 1988

Office of General Counsel

Mr. John Branch  
Mrs. Tucker's Employees FCU  
P.O. Box 759  
Sherman, Texas 75090

Re: Compensation of Board Members (Your August 9,  
1988, Letter)

Dear Mr. Branch:

You have requested us to review the compensation your Federal credit union ("FCU") gives certain of its board members. Since only one board member, the financial officer, is being compensated for board service as such, we believe your FCU's board compensation structure comports with the Federal Credit Union Act, the NCUA Rules and Regulations, and your bylaws.

Two members serving on the FCU board are compensated by the FCU. One is serving as the board's financial officer and as manager of the FCU and is compensated for service on the board. The other is also a member of the FCU board, but serves as the assistant general manager of the FCU, and is compensated for service as the assistant general manager of the FCU. Your bylaws state that "[o]ne board officer, the financial officer, may be compensated for his services to such extent as may be determined by the board."

Section 111(c) of the FCU Act [12 U.S.C. §1761(c)] provides: "No member of the board or of any other committee shall, as such, be compensated . . . ." (Emphasis added.) Section 112 [12 U.S.C. §1761a] states: "Only one board officer may be compensated as an

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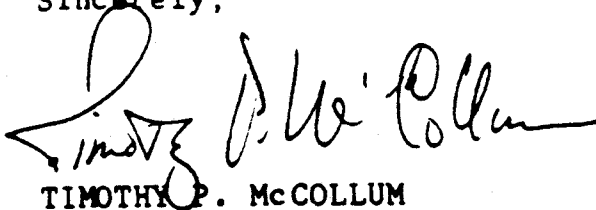
officer of the board and the bylaws shall specify such position. . . . ." (Emphasis added)

Section 701.33(b) of the NCUA Rules and Regulations [12 C.F.R. 701.33(b)] provides:

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.

From the facts you presented, the board member serving also as financial officer and manager and being compensated for service in either or both positions may permissibly be compensated for that service. The other board member serving also as assistant manager may also permissibly be compensated for service as such.

Sincerely,



TIMOTHY P. McCOLLUM  
Assistant General Counsel

RRD:sg

suspended by a majority vote of the board of directors. The members of this credit union shall decide, at a special meeting held not fewer than 7 nor more than 14 days after any such suspension, whether the suspended committee member shall be removed from or restored to the supervisory committee.

**Article VIII. Board Officers,  
Management Officials and  
Executive Committee**

Section 1. The board officers of this credit union shall be comprised of an executive officer, one or more assistant executive officers, a financial officer, and a recording officer, all of whom shall be elected by the board and from their number. The board shall determine the title and rank of each board officer and shall record them in the addendum to this article. One board officer, the \_\_\_\_\_, may be compensated for his services to such extent as may be determined by the board. If more than one assistant executive officer is elected, the board shall determine their rank as first assistant executive officer, second assistant executive officer, et cetera. The offices of the financial officer and recording officer may be held by the same person. Unless sooner removed as herein provided, the board officers elected at the first meeting of the board shall hold office until the first meeting of the board following the first annual meeting of the members and until the election and qualification of their respective successors.

Section 2. Board officers elected at the meeting of the board next following the annual meeting of the members, which shall be held not later than 7 days after the annual meeting, shall hold office for a term of 1 year

and until the election and qualification of their respective successors: Provided, however, That any person elected to fill a vacancy caused by the death, resignation, or removal of an officer shall be elected by the board to serve for the unexpired term of such officer and until his successor is duly elected and qualified.

Section 3. The executive officer shall preside at all meetings of the members and at all meetings of the board, unless disqualified through suspension by the supervisory committee. He shall countersign all notes of this credit union, and all checks, drafts, and other orders for disbursement of its funds as prescribed in article XV, section 2 of these bylaws. The executive officer shall also perform such other duties as customarily appertain to the office of the executive officer or as he may be directed to perform by resolution of the board not inconsistent with the Act and regulations and these bylaws.

Section 4. The ranking assistant executive officer available shall have and exercise all the powers, authority, and duties of the executive officer during the absence of the latter or his inability to act.

Section 5. The financial officer shall manage this credit union under the control and direction of the board unless the board has appointed a management official to act as general manager. Subject to such limitations, controls and delegations as may be imposed by the board, the financial officer shall:

(a) Have custody of all funds, securities, valuable papers and other assets of this credit union.

(b) Sign all notes of this credit union, and all checks, drafts, and other orders for disbursement of its funds.

(c) Provide and maintain full and complete records of all the assets and liabilities of this credit union in accordance with forms and procedures prescribed in the Accounting Manual for Federal Credit Unions or otherwise approved by the Administration.

(d) Within 7 days after the close of each month, prepare and submit to the board a financial statement showing the condition of this credit union as of the end of the month, including a summary of delinquent loans. He shall promptly post a copy of such statement in a conspicuous place in the office of the credit union where it will remain until replaced by the financial statement for the next succeeding month.

(e) Prepare and forward to the Administration such financial and other reports as the Administration may require.

(f) If so authorized by the board and within standards and limitations prescribed by the board, employ tellers, clerks, bookkeepers, and other office employees, and have the power to remove such employees.

(g) Perform such other duties as customarily appertain to the office of the financial officer or as he may be directed to perform by resolution of the board not inconsistent with the Act and regulations and these bylaws.

The board may employ one or more assistant financial officers, none of whom may also hold office as executive officer or assistant executive officer, and may authorize them, under the direction of the

financial officer, to perform any of the duties devolving on the financial officer, including the signing of checks. When designated by the board, any assistant financial officer may also act as financial officer during the temporary absence of the financial officer or in the event of his temporary inability to act.

Section 6. The board may appoint a management official who shall not be a member of the board and who shall be under the direction and control of the board or of the financial officer as determined by the board. The management official may be assigned any or all of the responsibilities of the financial officer described in section 5 of this article. The board shall determine the title and rank of each management official and shall record them in the addendum to this article.

The board may employ one or more assistant management officials, none of whom shall be a member of the board. The board may authorize assistant management officials under the direction of the management official, to perform any of the duties devolving on the management official, including the signing of checks. When designated by the board, any assistant management official may also act as management official during the temporary absence of the management official or in the event of his temporary inability to act.

Section 7. The board shall employ, fix the compensation, and prescribe the duties of such employees as may in the discretion of the board be necessary, and have the power to remove such employees, unless it has delegated these powers to the financial officer or management official; except that neither the board, the financial officer, nor the management official shall have the power or duty to employ, prescribe

(e) Prepare and forward to the Administration such financial and other reports as the Administration may require.

(f) If so authorized by the board and within standards and limitations prescribed by the board, employ tellers, clerks, bookkeepers, and other office employees, and have the power to remove such employees.

(g) Perform such other duties as customarily appertain to the office of treasurer or as he/she may be directed to perform by resolution of the board not inconsistent with the Act and regulations and these bylaws.

"The board may employ one or more assistant treasurers, none of whom may also hold office as president or vice president, and may authorize them, under the direction of the treasurer, to perform any of the duties devolving on the treasurer, including the signing of checks. When designated by the board, any assistant treasurer may also act as treasurer during the temporary absence of the treasurer or in the event of his/her temporary inability to act."

With this amendment there must also be a companion amendment of Article VIII, Section 6, to permit the manager to serve on the board.

Article VIII, section 6, of the Bylaws

To permit the manager to serve on the board of directors.

This amendment removes the prohibition of a manager serving on the board of directors. Article XIX, section 4 of the bylaws precludes any possibility of conflict of interest that might result from permitting the manager to serve on the board. The amendment is worded so that the manager is under the direction and control of the board rather than the treasurer. In effect, the credit union would have two financial officers under the control of the board.

Standard wording:

"The board may employ a manager who shall be under the direction and control of the board or of the treasurer as determined by the board, except that a manager who is a member of the board shall be under the direction and control of the board. The manager, who is a member of the board, may not be the president or vice president. The manager may be assigned any or all of the responsibilities of the treasurer described in Section 5 of this article.

"The board may employ one or more assistant managers, none of whom may also hold office as president or vice president. The board may authorize assistant managers under the direction of the manager, to perform any of the duties devolving on the manager, including the signing of checks. When designated by the board, any assistant



manager may also act as manager during the temporary absence of the manager or in the event of his/her temporary inability to act."

Article VIII, section 7, of the Bylaws

To provide that no director or committee member or member of the immediate family of a director or committee member may be a paid employee of the credit union.

This amendment is permitted under principles of sound internal control.

Standard wording:

"The board shall employ, fix the compensation, and prescribe the duties of such employees as may in the discretion of the board be necessary, and have the power to remove such employees, unless it has delegated these powers to the treasurer or manager; except that neither the board, the treasurer, nor the manager shall have the power or the duty to employ, prescribe the duties of, or remove any loan officer appointed by the credit committee, or necessary clerical and auditing assistance employed or utilized by the supervisory committee: Provided, however, That no director or committee member or member of the immediate family of a director or committee member may be a paid employee of this credit union."

To limit the number of paid employees that may serve on the board of directors.

This amendment is a variation of the above situation. The number limit is within the discretion of the board of directors.

Standard wording:

"The board shall employ, fix the compensation, and prescribe the duties of such employees as may in the discretion of the board be necessary, and have the power to remove such employees, unless it has delegated these powers to the treasurer or manager; except that neither the board, the treasurer, nor the manager shall have the power or the duty to employ, prescribe the duties of, or remove any loan officer appointed by the credit committee, or necessary clerical and auditing assistance employed or utilized by the supervisory committee: Provided, however, That no more than \_\_\_\_\_ directors may be paid employees of this credit union."