



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

January 10, 1991

Mr. William Brandt  
President & General Manager  
Washington State  
Employees Credit Union  
P.O. Box WSECU  
Olympia, WA 98507

Re: Spouse Travel Costs  
(Your Letter of January 12, 1990)

Dear Mr. Brandt:

This is in response to your request for NCUA reconsideration of its position regarding payment by a credit union of the expenses of a credit union official's spouse when the spouse accompanies the official on a credit union business trip. We regret any inconvenience that our delay in responding may have caused.

In your letter you provide the view of the Washington State Employees Credit Union on the issue. You also state that you are seeking guidance from your state regulator.

The NCUA position, as recently stated in the attached opinion letter to the Credit Union National Association, Inc., applies to federal credit unions ("FCU"). The basis of that opinion is Section 111 of the FCU Act (12 U.S.C. §1761(c)), which prohibits FCU board and committee members from being compensated. We are aware that many states credit union laws similarly prohibit compensation of credit union officials, and you are correct in seeking an opinion from your primary state regulator on this issue before taking action.

As a state-chartered, federally insured credit union, you should be aware that, even if state law permits such reimbursements, if an expense payment or reimbursement to credit

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union officials is not properly documented, is extravagant and excessive, or has no direct benefit to the credit union, it is conceivable that the NCUA could determine such to be an unsafe and unsound practice. To avoid any such determinations, we would highly recommend that the guidelines in the attached opinion letter be followed.

I hope that this information has been of some assistance to you.

Sincerely,

*Hattie M. Ulan*

Hattie M. Ulan  
Associate General Counsel  
Office of General Counsel

Enclosure  
GC/MEC:sg  
SSIC 4062  
90-0126



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20536

Office of General Counsel

GC/JJE:bhs  
SSIC 4062  
89-1015

October 20, 1989

Mr. J. Alvin George  
Chairman  
Financial Federal Credit Union  
of San Diego  
440 Beech Street  
San Diego, CA 92101-3281

Dear Mr. George:

Your letter to Chairman Jepsen regarding credit union payment of the expenses of an official's spouse has been referred to this Office for response. In your letter you set forth your Board of Directors' opinion on this issue.

The specific question you would like addressed is: Can a Federal credit union pay (or reimburse) for a spouse's expenses when the spouse of an official accompanies the official on a credit union business trip? It is our position that payment or reimbursement is not permitted for the two reasons set forth below.

First, we do not believe that a spouse's expenses can qualify as legitimate business expenses of an FCU. There is no direct, indirect, or incidental benefit to an FCU's business in having an official's spouse accompany the official on business trips or while attending credit union conferences.

We are not unmindful of other determinations where it has been found that the expenses of a corporate officer's spouse may be reasonable business expenses. However, those situations involve substantial participation in furthering the corporation's business with its existing or prospective clients. That is not the case with FCU's.

Our second reason is that payment or reimbursement would

constitute compensation to the official. As you know, Section 112 of the Federal Credit Union Act and Section 701.33 of NCUA's Rules and Regulations (amended August 8, 1988) address the area of compensation of officials. Only one board officer may be compensated as an officer of the board and no other official may receive compensation for performing board or committee duties. While an official may be reimbursed for reasonable and proper costs in carrying out official duties, a spouse's expenses are not reasonable and proper costs incurred by an official in performance of official duties. Payment of such expenses benefits the FCU official, not the FCU, and would be deemed prohibited compensation. We would note that your board has recognized that payment or reimbursement would be compensation, albeit the expense may be small, and would constitute taxable income.

As you may recall, in February, 1988, the NCUA Board requested comments on whether to amend Section 701.33 to permit reimbursement to officials for pay or leave actually lost while attending FCU board or committee meetings. Despite the rationale for such reimbursement, the majority of FCU's commenting on the proposal were opposed and it was not included in the final rule. The justification for a spousal expense exemption from the compensation prohibition is far less supportable than that proposed in 1988.

We appreciate your comments and hope the above provides a clear understanding of our position on this issue.

Sincerely,



JAMES J. ENGEL  
Deputy General Counsel