



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

January 24, 1991

Anthony LaRosa
Police and Fire Federal Credit Union
901 Arch Street
Philadelphia, PA 19107-2495

Re: Compensation of Directors (Your December 17,
1990, Letter)

Dear Mr. LaRosa:

Your letter to Chairman Jepsen regarding the compensation of directors has been referred to this Office for a response. You have asked us to reconsider whether a federal credit union may compensate members of its board of directors.

We recognize that credit unions have tremendously expanded services offered over the past few years, placing new demands and responsibilities on directors. The success of the federal credit union system depends on dedicated individuals who are willing to take on these new responsibilities. Although some individuals may not be willing to meet this challenge on a volunteer basis, Sections 111 and 112 of the Federal Credit Union Act (12 U.S.C. §§1761, 1761a) prohibit federal credit unions from compensating board members and more than one board officer. Section 111(c) provides:

No member of the board or of any other committee shall, as such, be compensated, except that reasonable health, accident, similar insurance protection, and the reimbursement of reasonable expenses incurred in the execution of the duties of the position shall not be considered compensation.

Section 112 provides that only one board officer may be compensated as such.

FOIA
Vol. III, A, 4 Directors

Anthony LaRosa
January 24, 1991
Page 2

NCUA has no authority to amend the Federal Credit Union Act. Doing so requires an act of Congress, with the President's approval. Consequently, we cannot approve the compensation of board members. Even if we had such authority, however, we would be reluctant to compromise the credit union volunteer spirit. Voluntarism is one thing that makes credit unions different from other financial institutions; we encourage the preservation of the uniqueness of credit unions.

We appreciate your dilemma and regret that we cannot be of assistance. We note that under the Federal Credit Union Act, a federal credit union is permitted to pay the educational expenses of officials.

Sincerely,

Hattie M. Ulan

Hattie M. Ulan
Associate General Counsel

GC/LH:sg
SSIC 4062
90-1224

cc: Senator Jepsen