



February 26, 1991

Darren T. Crossett
Vice President of Lending
Beacon Federal Credit Union
P.O. Box 186
East Syracuse, New York 13057

Re: Suspension of Services (Your February 7, 1991,
Letter)

Dear Mr. Crossett:

You have asked whether Beacon Federal Credit Union (FCU) can suspend the following services to members who have filed for bankruptcy and defaulted on a loan with the FCU: 1) share draft privileges; 2) dividends; 3) ATM access; and 4) payroll deduction. The FCU can suspend all of these services pursuant to the FCU Act and NCUA Regulations.

ANALYSIS

The FCU board of directors may fashion a number of policies which may restrict the number of services available to a member who has caused a loss to the FCU. An FCU is not precluded, under the FCU Act or NCUA Rules and Regulations, from implementing a policy that denies most credit union services (e.g., ATM services, credit cards, loans, share draft privileges, preauthorized transfers, etc.), to anyone whose bankruptcy or loan default results in a loss to the credit union. An FCU member, however, has a fundamental right to maintain a share account (although there is nothing which requires that the account still earn a dividend) and to vote in annual and special meetings.

Although a suspension of services does not violate the FCU Act or NCUA Rules and Regulations, an FCU's right of suspension may be restricted by contract and by other federal and state laws. We offer no opinion as to whether the policy under discussion violates any state or federal law, including

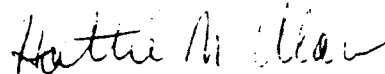
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the Federal Bankruptcy Act. You should determine whether any other laws are relevant and whether the course you propose is allowed under those laws. Moreover, this office does not promote the suspension of services to a member who has caused a loss to the FCU.

Sincerely,



HATTIE M. ULAN
Associate General Counsel

GC/MJM:sg
SSIC 3601
91-0212