



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

October 11, 1991

Michael D. LaBarbera
LaBarbera and Campbell
1907 W. Kennedy Boulevard
Tampa, Florida 33606

Re: Advanced Payment on Obligations (Your
August 5, 1991, Letter)

Dear Mr. LaBarbera:

You have asked whether Tampa Bay Federal Credit Union ("FCU") must change its practice of crediting payments made by members in excess of minimum monthly payments due on a particular obligation to future installments. We have no legal objection to the FCU's current procedure for crediting advance payments.

Loan payments made by members in excess of minimum monthly payments due on a particular obligation have been credited by the FCU to future installments, absent special circumstances. Of the thousands of loans currently outstanding at the FCU, approximately 250 of these loans are classified as "paid in advance." In a recent examination, an NCUA examiner suggested that for safety and soundness reasons the FCU's treatment of advanced payments on obligations may be inappropriate.

In our opinion, the FCU is under no legal obligation to change its accounting procedure concerning advance payments. Nothing in the FCU Act or NCUA's Rules and Regulations prohibits an FCU from crediting advance payments as outlined above. As you correctly point out in your letter, the issue is one of state contract law. However, we defer to the

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regional office on any safety and soundness concerns presented by this accounting procedure.

One additional note. We also agree with your position that if the FCU decided to change this practice, retroactive application would not be permissible.

Sincerely,

Hattie M. Ulan

Hattie M. Ulan
Associate General Counsel

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