



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

February 5, 1992

David H. Burress, CCUE
President and
Chief Executive Officer
Oak Ridge Government
Federal Credit Union
P.O. Box 2514
Oak Ridge, Tennessee 37831-2514

Re: Credit Cards Issued By
Federal Credit Union ("FCU")
(Your Letter of August 7, 1991)

Dear Mr. Burress:

You requested a reconsideration of NCUA policy requiring FCUs issuing credit cards for their own use to issue the credit cards to their employees or officers, but not to the credit union solely in the name of the FCU. As you can see from the enclosed opinion to Patricia Torkildson, Vice President and Associate General Counsel, CUNA Service Group, Inc., entitled "Federal Credit Union ("FCU") Credit Card Issuance", NCUA has reconsidered prior policy in this area. On the facts and conditions set forth in that letter, an FCU is permitted to issue a national credit card to itself if transactions initiated with the card are paid when the transactions are presented through the settlement process and the card is used for reimbursement of legitimate business expenses of the FCU. We recommend that you review the enclosed letter for guidance on FCU credit card issuance and usage.

In brief, an FCU's incidental authority to reimburse parties for legitimate business expenses provides adequate grounds for FCUs to issue credit cards for their own use. NCUA recommends that boards of directors of FCUs issuing credit cards obtain a plastic card endorsement on their blanket bond, if available. Safety and soundness concerns are further addressed by use of prudent procedures to minimize unauthorized


FOIA Vol. III, C 2, Vol. III, B, 5

David H. Burress, CCUE

February 5, 1992
Page 2

activity and increase detection of any discrepancies. These procedures include use of the FCU's cards by authorized individuals only, consistent and regular monitoring of receipts and charges against the FCU's account, accountability of the FCU's credit card by authorized users, payment of charges against the FCU's credit card account when presentment is made, establishment of FCU credit card written policies and procedures, proofing of payments and charges made on the FCU credit card daily by staff other than authorized users, and the provision of loss prevention security training. Details regarding these procedures can be obtained from your Regional Director, and in some instances, directly from your blanket bond company.

Sincerely,



Hattie M. Ulan
Associate General Counsel

GC/MEC:sg
SSIC 4650
91-0817
Enclosure