



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

April 28, 1993

Mitchell B. Klein, Esq.
Police and Fire Federal Credit Union
901 Arch Street
Philadelphia, PA 19107-2495

Re: **Joint Accounts** (Your March 15, 1993, Letter)

Dear Mr. Klein:

You have asked for written confirmation that the National Credit Union Administration (NCUA) would consider a joint owner's removal of all the shares in an account as "valid," giving the credit union the authority to close the account. You seek assurance that "[o]nce the money is removed, the Credit Union is not subject to the six month waiting period during which a member must bring the account up to par value" and that "[t]he account can be closed immediately because of the joint owner's actions."

As noted in Section 5030.1.5 of the NCUA Accounting Manual for Federal Credit Unions, "[w]hen a joint account has been established, any one of the joint owners may make payments into the account, withdraw funds from the account, or pledge the shares as security for a loan without the signature of the other joint owner(s)." Before a credit union allows a joint owner to withdraw funds from an account without the signature of the other joint owner(s), it should: (1) determine that the practice is permissible under state law; and (2) inform joint owners, via the joint share agreement (see example of joint share agreement at Figure 5-7 in Accounting Manual), that it will allow such unilateral withdrawal.

Section 5030.1.5.1 of the Accounting Manual states that a joint account may be terminated by the withdrawal of all of the funds by any joint owner. It describes a situation in

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which a joint account between a nonmember and a member who has left the field of membership is terminated. If the joint account was the only account held by the member, he or she would be permanently barred from membership. By implication, termination of a joint account, where the joint owners are still within the field of membership but have only that account in the credit union, causes those members to at least temporarily lose membership status. This is consistent with Article II, Section 4, of the Federal Credit Union Bylaws, which provides that "[A] member who withdraws all of his shareholdings thereby ceases to be a member."

Your question about closing an account immediately, without having to wait six months, reveals some confusion about the distinction between closing an account and terminating an individual's membership. Article III, Section 3, of the Bylaws provides that a member who reduces his or her share balance below the par value of one share and does not increase the balance to at least the par value within six months may be terminated from membership. Similarly, Article II, Section 4, provides that a member who withdraws all of his or her shares ceases to be a member.

As noted above, if a joint owner withdraws all the shares in a joint account, and such removal is proper under state law and joint members have been informed of the right to unilateral withdrawal, the credit union may close the account immediately. Neither bylaw applies. If the second joint owner has another account in the credit union, one that is at par value, membership may not be terminated, either immediately or after six months. Again, neither bylaw applies. If, after the joint account is closed, the second joint owner has no other account in the credit union, membership may be terminated immediately, pursuant to Article II, Section 4. If, after the joint account is closed, the second joint owner has another account, but it is below par

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value, he or she has at least six months from the time the account went below par to raise it to par before membership may be terminated, pursuant to Article III, Section 3.

Sincerely,

Hattie M. Ulan

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Associate General Counsel

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SSIC 3701
93-0337