

February 18, 1992

Kenneth E. Webb, Jr.
Bowles Rice McDavid Graff & Love
P.O. Box 1386
Charleston, WV 25325-1386

Re: Vacation Accounts (Your January 15, 1992, Letter)

Dear Mr. Webb:

You have asked whether the International Brotherhood of Electrical Worker's Local #466 Federal Credit Union (the FCU) may establish special share accounts, funded through payroll deductions, for the accumulation of vacation funds. The FCU may do so for its members but not for nonmembers.

Background

The FCU's membership consists of members of the local electrical workers union and members of their immediate families. The terms of a collective bargaining agreement governing the conditions of employment for the electrical workers provides that all contractors hiring union members contribute to special accounts established to fund vacations for the workers. As we understand it, this contribution will appear in the worker's paycheck but will immediately be deducted into the special account. The vacation accounts will accumulate funds for one year and then will be paid out in a lump sum the next year to fund vacations for that year. A participant will be permitted to borrow up to 50% of the amount in his or her account. The FCU will accept a pledge of the account as collateral for such loans.

Some workers are not members of the union, and thus not eligible for membership in the FCU, but are still subject to the collective bargaining agreement. They are entitled to participate in the vacation funding arrangement on the same terms as union and credit union members. To participate in the arrangement, the FCU plans to require that each participant provide a beneficiary card, social security number, and home address.

Analysis

An FCU has the express authority, pursuant to Section 107(6) of the FCU Act, 12 U.S.C. ~1757(6), to receive shares from its members, from certain other entities not relevant here, and from nonmembers in the case of credit unions serving predominantly low-income members (as defined by the National Credit Union Administration Board). There is no general authority for FCUs to receive shares from or provide services to nonmembers. Accordingly, while the FCU may administer the proposed vacation plan for its members, it may not do so for nonmembers unless it has been designated as a credit union serving predominantly low-income members.

Sincerely,

Hattie M. Ulan
Associate General Counsel

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