

June 10, 1992

Steven J. Sheridan  
Treasurer/Manager  
Windsor Locks Federal Credit Union  
P.O. Box 656  
Windsor Locks, CT 06096

Re: Compensation of Officials (Your May 1, 1992, Letter)

Dear Mr. Sheridan:

With regard to Section 701.33 of the National Credit Union Administration (NCUA) Rules and Regulations, 12 C.F.R. ~701.33, you have asked whether the credit union may: 1) pay for baby-sitting services while the director is performing credit union business; and 2) reimburse a director for use of vacation time to attend special board meetings or meetings held outside of the credit union.

Section 701.33, which is derived from Sections 111(c) and 112 of the Federal Credit Union Act, 12 U.S.C. ~1761(c) and 1761a, provides that only one board officer of a federal credit union (FCU) may be compensated as such and that no other official may receive compensation for serving as a board or committee member. The section further provides that the term "compensation" excludes the provision of certain types of personal insurance, indemnification, and:

payment (by reimbursement to an official or direct credit union payment to a third party) for reasonable and proper costs incurred by an official in carrying out the responsibilities of the position to which that person has been elected or appointed.

In our view, neither baby-sitting expenses nor lost pay or leave are "reasonable and proper costs" that may be paid by an FCU. Payment of such costs to a volunteer official would violate Section 701.33.

You may be interested to know that in 1988, the NCUA Board proposed to amend Section 701.33 by expanding it to permit FCUs to reimburse officials for pay or leave lost while attending board or committee meetings. Sixty-two of eighty-six commenters opposed the expansion. After reviewing the comments, the Board stated:

The primary reasons given for opposing the proposal concerned the credit union volunteer spirit -- that reimbursement was contrary to that philosophy; that voluntarism is what makes credit unions different from other financial institutions; and that easing the reimbursement restriction further could endanger the tax-exempt status of credit unions. Commenters were also concerned about the possible effects of implementing such an authorization. Dissension among board members where some might receive more reimbursement than others; reluctance by some officials to publicly disclose their salaries; additional IRS reporting requirements for FCUs; difficulty with verifying officials' claims of lost pay or leave; and creation of an incentive to officials to hold meetings during working hours.

\* \* \*

NCUA staff had recommended this proposal to the NCUA Board in response to FCUs expressing a need for reimbursement for lost pay and leave to attract and retain qualified volunteers. The comments received on the proposal, however, indicate that vast majority of FCUs feel such reimbursement is unnecessary and may be harmful to the credit union spirit. The NCUA Board has decided not to go forward with this proposal.

The Board also hereby clarifies that under NCUA's current Rules and Regulations reimbursement of officials for lost pay or leave is not permitted.

We note that the 1988 proposal, if adopted, would have allowed for reimbursement for lost pay or leave for regular board and committee meetings. Your inquiry concerns reimbursement for special meetings, which was not included in the proposal. The Board recently issued a proposal (enclosed) to amend Section 701.33 to allow FCUs to reimburse travel costs of officials and one immediate family member. In its discussion of the proposed amendment, the Board recalled its 1988 proposal to allow reimbursement for lost pay and leave. Noting that that proposal was rejected by the commenters, the Board stated that it was not proposing such a change at this time. However, the Board invited commenters to address the issue of reimbursement for pay or leave and other issues within the scope of Section 701.33.

Sincerely,

Hattie M. Ulan  
Associate General Counsel

Enclosure  
GC/LH:sg  
SSIC 3501  
92-0507