

September 20, 1992

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

Re: Bylaws (Your July 27, 1992, Letter)

Dear Mr. Klein:

Article II, Section 4, of the Federal Credit Union (FCU) Bylaws provides that a member who withdraws all of his or her shareholdings ceases to be a member. Article III, Section 3, 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. You have asked for clarification of these potentially contradictory bylaws.

You suggest that a share balance which is negative due to "abuse," which you define as empty envelope deposits in ATMs, NSF share drafts, etc., is equivalent to one from which all shares have been withdrawn and that membership may be terminated immediately in accordance with Article II, Section 4. To give meaning to Article III, Section 3, you suggest that it allows a member with an account balance of between \$0 and par value six months to increase the balance to par value before membership may be terminated.

Your interpretation is not entirely correct. We have interpreted Article II, Section 4, as applying only when a member voluntarily withdraws all of the funds in an account. Article III, Section 3, however, applies when a member voluntarily withdraws funds so that an account is below par but not zero. Article III, Section 3, also applies when a member's account falls below par (whether it remains positive, reaches zero, or even becomes negative) involuntarily through the FCU's assessment of fees and charges. We assume that a member achieves a negative balance through "abuse" because the FCU has imposed fees or charges for the abusive activities. In that case, Article III, Section 3, would apply, and a member could not be terminated from membership for a period of at least six months from the date the balance went below par. While notification to a member is not necessary each time a share account is reduced below par value, members should be aware of the FCU's policy of closing an account when it falls below par value due to absorption through fees or charges.

Sincerely,

Hattie M. Ulan
Associate General Counsel

GC/LH:sg
SSIC 3700
92-0806