

March 19, 1996
Peter A. Buck, Esq.
Jones, Kerr & Buck
895 University Avenue
Sacramento, California 95825

Re: Use of Raffles by Federal Credit Unions (Your February 14, 1996, Letter)

Dear Mr. Buck:

You have asked whether a federal credit union ("FCU") can hold a raffle to encourage its members to vote, either by mail or in person, at a special meeting. You opine that this activity is within an FCU's incidental power, 12 U.S.C. §1757(17), and note that this Office has similarly opined in the past.

An activity is permissible under an FCU's incidental power when it is "convenient or useful" to the performance of one of the FCU's expressed powers. Arnold Tours v. Camp, 472 F.2d 427 (1st Cir. 1972); and American Bankers Association v. Connell, 447 F. Supp. 296 (D.D.C. 1978). In this instance, the FCU Act authorizes an FCU to hold a special meeting according to its bylaws. 12 U.S.C. §1760. As a general premise, a raffle provides the FCU's members with an incentive to participate and this may be a convenient and useful activity to the performance of the expressed power to hold a special meeting. However, the purpose for or method of conducting a raffle may nullify its legitimacy, i.e., it should not be used to influence the outcome of a vote or require a particular vote for a member to be eligible for a prize.

Even though the FCU Act and NCUA Regulations do not preclude an FCU from holding a raffle at a special meeting, the FCU should investigate whether a raffle would implicate other federal, state or local laws. In addition, the NCUA regional office may have a basis to object to the practice on safety and soundness grounds, corporate waste or corporate governance issues. We note that your regional office has already stated that a raffle planned by one of your clients could be viewed as an inappropriate attempt to influence the election. We recommend that you contact the appropriate regional office to address any potential concerns before holding the raffle at the meeting.

Sincerely,

Richard S. Schulman
Associate General Counsel

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