

December 4, 1996

Ms. Shewan M. Holmes
Manager, IEC Federal Credit Union
P.O. Box 3787
Springfield, IL 62708

Re: Supervisory Committee Members (Your November 22, 1996, Letter)

Dear Ms. Holmes:

You have written seeking a legal opinion on the permissibility of members of the supervisory committee also serving as loan officers. Specifically, you ask if this is a violation of the Federal Credit Union Act (Act). Although not a violation of the Act, the practice you have described is a violation of sound internal controls and should be discontinued. I have enclosed for your review the provision in NCUA's Accounting Manual which discusses the importance of sound internal controls as well as a chart showing the positions in a federal credit union and the persons who are prohibited from holding them.

Sincerely,

Michael J. McKenna
Acting Associate General Counsel

GC/MFR:bhs
SSIC 3000
96-1136

Enclosure

cc: Nicholas Veghts, Region IV Director