

May 15, 1997

Roshanally H. Merchant, Chairman
Nizari Progressive Federal Credit Union
10803 Kinghurst
Suite #250
Houston, TX 77099

Re: Charitable Donations
(Your Letter of April 10, 1997).

Dear Mr. Merchant:

You asked three questions regarding the ability of a federal credit union (FCU) to make charitable donations. Your questions and our answers follow.

1. Can an FCU give charitable donations to any organization?

No. FCUs may make charitable donations only to tax exempt organizations located or operating within the community in which the FCU has its principal place of business or to tax exempt organizations whose purpose is to promote and develop credit unions. Enclosed is a copy of NCUA's Interpretive Rule and Policy Statement No. 79-6, Donations/Contributions, 44 Fed.Reg. 56691 (October 2, 1979) (IRPS 79-6), that provides the NCUA's interpretation on the power of an FCU to make donations.

2. Do purpose or maximum amount limitations apply to FCU charitable donations?

No. NCUA does not set limits on either the purpose or the amount an FCU can donate to a charitable activity. However, you should note that IRPS 79-6 specifically states that the board of directors has the responsibility of determining that any charitable donation is "in the best interest of the FCU" and "is sound given the financial condition of the FCU."

3. Can an FCU establish a "Charity Fund" to which an allocation can be made every year?

No. An FCU cannot establish a "Charity Fund." Enclosed is a letter from Richard S. Schulman, Acting Associate General Counsel, to Stan Fraser, Illinois State Police FCU, dated April 12, 1994, you may find helpful. It provides a discussion related to this issue.

If you have further questions regarding the ability of your credit union to make charitable donations, we suggest that you contact NCUA's Region V in Austin, Texas on (512) 349-4500.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/MS:sg
SSIC 3601
97-0427

Enclosures

cc: Phillip R. Crider, Region V Director