

August 12, 1997

Vicki L Stuart, Vice President Finance & Information Systems  
Ste. Croix Regional Federal Credit Union  
P.O. Box 1746  
Lewiston, ME 04241-1746

Re: Business Share Draft Accounts  
(Your Letter of July 1, 1997)

Dear Ms. Stuart:

You have asked for clarification of whether Section 205(f)(2) of the Federal Credit Union Act (the Act) prohibits payment of dividends on business share draft accounts. 12 U.S.C. §1785(f)(2). It does not.

The Act authorizes federally chartered credit unions to pay dividends on all members' share draft accounts. 12 U.S.C. §§1752(5), 1763. Section 205(f)(1) provides that "[e]xcept as provided in paragraph (2), an insured credit union may pay dividends on share draft accounts." 12 U.S.C. §1785(f)(1). Section 205(f)(2) states that dividends may be paid on:

[S]hare draft accounts in which the entire beneficial interest is held by one or more individuals or members or by an organization which is operated primarily for religious, philanthropic, charitable, educational, or other similar purposes and which is not operated for profit.

12 U.S.C. §1785(f)(2). The provision in Section 205(f)(2) for certain nonprofit organizations permits payment of dividends on the share draft accounts of such nonprofit organizations but it does not otherwise restrict payment to business share draft accounts owned by members. The restriction against the payment of dividends implied in Section 205(f)(2) applies to organizations which are not members of the credit union but which can otherwise legally establish share draft accounts. These organizations are, for example, other credit unions or businesses that establish accounts at low-income designated credit unions but that are not actually members.

Sincerely,

Sheila A. Albin  
Associate General Counsel

GC/MS:sg  
SSIC 4630  
97-0705

cc: Region I