

August 25, 1998

Robert N. Buck, President
Red River Federal Credit Union
P.O. Box 5909
Texarkana, TX 75505-5909

Re: Use of Imaging System for Records Storage.

Dear Mr. Buck:

Red River FCU is studying the feasibility of implementing an optical disk imaging computer system. You wrote to ask if the use of an optical disk imaging system for storage of key records such as applications for membership and joint share account agreements would be an acceptable substitute for microfilm. You also asked whether you would be required to retain the original hard copy forms for current members. Computer imaging is an acceptable substitute for microfilm, as long as the records remain accessible for reading and printing by auditors and examiners. In response to your second question, you need not treat the records of current members differently from those of former members. Records for both current and former members which have been microfilmed or imaged, may be destroyed following the next examination by NCUA and the next comprehensive annual audit by the supervisory committee, provided the individual share and loan ledgers are in balance with the general ledger control accounts. If any of the records pertain to discrepancies or shortages that have been discovered, such records should not be destroyed until the discrepancies or shortages have been cleared.

The current *NCUA Accounting Manual for Federal Credit Unions* (the manual), at section 5190, sets forth agency policies for credit union record retention. It states that key records should be retained permanently unless they have been microfilmed. The purpose of microfilming records is to improve efficiency by limiting the resources a credit union must expend to maintain records. This goal may also be accomplished by use of an optical imaging computer system.

The manual recommends that, before making the decision to microfilm, the credit union obtain legal advice to ensure that microfilmed records will be accepted in a court of law in the jurisdiction where the credit union is located. This is also necessary for records captured in an optical disk imaging system.

The manual also warns that all original loan documents should be retained until the loan is satisfied and as required by other record retention laws. Please note

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that certain records, such as the credit union's charter, bylaws and amendments, are of such significance that the manual states that they must be permanently

retained. Notwithstanding your use of an imaging system, you may not destroy the originals of those documents.

You must ascertain that any computer system under consideration meets Year 2000 requirements. Additionally, you should consider other applicable state and federal laws requiring record preservation before you make a decision concerning an optical imaging computer system. Finally, you should consult with your NCUA examiner to ensure that there are no safety and soundness issues presented by your plan.

Sincerely,

Sheila A. Albin
Associate General Counsel

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