

August 25, 1998

Ben Roth, President
Dayton Area School Employees
Federal Credit Union
1030 N. Main Street
P.O. Box 407
Dayton, Ohio 45405

Re: Reimbursement of travel expenses for a director's companion.

Dear Mr. Roth:

Dayton Area School Employees FCU has recently adopted a policy to reimburse a director up to \$600 per year for expenses incurred to bring a "companion," such as a spouse, child, or friend to credit union conferences. You wrote to ask whether the reimbursement policy constitutes compensation under the Federal Credit Union Act (the Act). The policy is impermissible because reimbursement of expenses for persons other than immediate family members constitutes prohibited compensation.

The Act and NCUA regulations provide that only one board officer of a federal credit union (FCU) may be compensated as such and that no other official may receive compensation for serving as a board or committee member. 12 U.S.C. §§1761(c), 1761a; 12 C.F.R. §701.33. However, NCUA has defined compensation to exclude reimbursement of a board official and one immediate family member for travel expenses incurred in performing board duties. The reimbursement of travel expenses is permissible if the payment is necessary and appropriate as determined by the board and is made in accordance with written board policies and procedures, including any requirement for documentation. 12 C.F.R. §701.33(b)(2)(i).

NCUA used "immediate family member" rather than "spouse" in this regulation, to provide greater flexibility to FCUs to determine the relationships that qualify for reimbursement. However, the phrase was intended to limit the scope of reimbursement policies to those persons who have a "familial" relationship to the board member. The similar phrase "member of their immediate families" is frequently used in connection with field of membership and chartering policies and has been interpreted to require a familial relationship. For your

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reference, I am enclosing a copy of a recent opinion letter which includes a full discussion of the factors to be considered when determining whether a familial relationship exists. Letter from Sheila A. Albin to Mary Beth Wong, dated December 9, 1997.

In summary, the use of the term "friends" in the Dayton Area School Employees FCU policy is impermissible because it could include persons other than immediate family members or persons who have a familial relationship with the board member.

Sincerely

Sheila A. Albin
Associate General Counsel

OGC/DMS:bhs
SSIC 6010
98-0619
Enclosure