

May 19, 1999

Stephen J. Edwards, Esquire
245 Green Village Road
P.O. Box 901
Chatham Township, New Jersey 07928-0901

Re: Suspension of Services - Requirement to Pay Dividends,
Your letter dated April 26, 1999.

Dear Mr. Edwards:

You have asked whether it is permissible for a federal credit union (FCU) to withhold dividends from a member's share account as part of a policy of suspending services to members who have caused a loss to the FCU. As explained below, the answer is no.

Your letter noted an earlier opinion from this office regarding the suspension of services to members that stated, while a member has a fundamental right to maintain a share account, there was nothing that required the account still earn a dividend. The Truth in Savings Act and our regulations implementing it, which were issued in 1993, supersede that letter from Hattie Ulan to Darren Crossett, dated February 26, 1991. 12 C.F.R. Part 707. The National Credit Union Administration (NCUA) Board explained in the preamble to our regulations implementing the Truth in Savings Act (TISA) that it "mandates that dividends be paid on the full amount of funds in an account for every day of the dividends period." 58 Fed. Reg. 50394, 50430 (September 27, 1993). This requirement is in §707.7 of our regulations. 12 C.F.R. §707.7. A policy that withholds dividends on the full amount of funds in a member's account would violate NCUA's regulation and TISA.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/MFR:bhs
SSIC 3210
99-0448