

January 24, 1997

Mr. Richard Cywinski
Manager, Renaissance Federal Credit Union
188 43rd Street, P.O. Box 4046
Pittsburgh, PA 15201-0046

Re: Indemnification Policy - Renaissance FCU

Dear Mr. Cywinski:

Region II Director, Jane Walters has asked this office to review Renaissance FCU's revised Indemnification Policy and forward our comments directly to you. Below are our comments and suggestions with respect to the revised policy.

Based upon our prior comments, the first sentence of paragraph number 1 contains the correct standard of care under Pennsylvania law. However, the language in the third sentence "unless the act or failure to act giving rise to the claim for indemnification is specifically determined by pronouncement issued by a Court of Law, to have constituted intentional misconduct or criminal behavior pursuant to the Statutes of the Commonwealth of Pennsylvania or the United States of America" establishes a second and incorrect standard that should be deleted.

Paragraph 5 is problematic if the federal credit union (FCU) intends to self insure. For safety and soundness reasons, NCUA doesn't permit special reserves unless authorized by the NCUA Board. Although the NCUA Board will probably revisit this issue soon, currently there is no authority for a special reserve without NCUA Board approval.

I hope that we have been of assistance.

Sincerely,

Michael J. McKenna
Acting Associate General Counsel

GC/MFR:bhs
SSIC 3700
96-1232

cc: Region II Director, Jane Walters