

June 9, 1997

Gail Augenreich, Manager  
Hamburg Central Federal Credit Union  
277 Buffalo Street  
Hamburg, New York 14075-5198

Re: Membership Eligibility of Immediate Family Members of Secondary Members, Your Letter dated  
March 14, 1997

Dear Ms. Augenreich:

You have written asking two questions on the issue of whether the immediate family members of secondary members may join a federal credit union (FCU). As discussed below, the immediate family members of a secondary member are not eligible for FCU membership.

An FCU may only extend membership to individuals who are within its field of membership (FOM). Chapter, Section II, NCUA Chartering and Field of Membership Manual (IRPS 94-1, as amended by IRPS 96-1). An FCU may include in its FOM those individuals who share a common bond of occupation, association, or community. Id. These individuals are considered primary members of the FCU. Id. at Appendix A. In addition, an FCU may include in its FOM, those individuals who have a close relationship to the FCU's common bond group such as "members of their immediate families," "volunteers," "persons who retired as pensioners or annuitants from the above employment," etc. Id. at Chapter 1, Section II.E. These individuals are considered secondary or derivative members of the FCU. Id. at Appendix A.

An FCU that includes family members in its FOM is allowed to define the term "members of their immediate families." See NCUA Federal Credit Union Bylaws, Article XVIII, Section 2(a). However, the term "their" modifying "immediate families" refers to the common bond group (primary members) and not members generally. As such, immediate family members, as defined by an FCU, only come within the FCU's FOM by virtue of their familial relationship to a primary member who is within the FCU's common bond group, and not a secondary member. If the immediate family members of secondary members were allowed to join an FCU, the FCU would be accepting individuals who are outside its FOM and who may have no relationship to the common bond group, thereby, vitiating the common bond requirement for FCU membership.

#### **QUESTIONS:**

Your specific questions and our answers are set forth below.

Gail Augenreich, Manager

1. Is the following membership chain permissible where primary member J is still within the FCU's FOM and the FCU's definition of "immediate family" includes such relationships? A, brother of primary member J, joins the FCU as an immediate family member of primary member J; B, wife of A, joins the FCU as an immediate family member of A; and after B joins, C, sister of B, joins the FCU as an immediate family member of B.

The above chain of membership is impermissible. A would be able to join the FCU since A comes within the FCU's FOM by virtue of his close relationship to the common bond group, namely that, he is an immediate family member of primary member J who is within that common bond group. However, B and C

would be outside the FCU's FOM since their membership eligibility would be based upon their relationship to a secondary member and not the common bond group.

As stated earlier, an FCU has discretion in defining which individuals are to constitute immediate family members, although the FCU's definition of the term must be sufficiently limited as to give the term a rational, discernible meaning. Accordingly, an FCU could define the term broadly enough to provide that immediate family member includes any relative by blood or marriage of an individual within the FCU's common bond (primary members) specified in the FOM charter. Now, under this definition, B would come within the FCU's FOM as an immediate family member (sister-in-law) of primary member J, and thus, would be eligible to join the FCU as a secondary member. C still would be ineligible for FCU membership.

2. Is the above membership chain permissible if the FCU has adopted a "once a member always a member" policy but primary member J terminates his membership at the FCU after A, brother of primary member J, and before B, wife of A, and C, sister of B, have joined the FCU?

For the same reasons stated above, neither B nor C would be able to join the FCU since their membership in the FCU would be based on their close relationship to a secondary member and not the common bond group as is required under IRPS 94-1.

In addition, the "once a member always a member" policy only protects those individuals who are at risk of losing their membership because they are no longer within an FCU's FOM (e.g., a change of jobs, transfer out of the city, etc.) and are members when the change in their FOM status occurs. This policy does not protect those individuals who voluntarily terminate their membership with an FCU. Therefore, even where an FCU has a once a member always a member policy in place,

Gail Augenreich, Manager

Page Three

if a primary member voluntarily leaves the FCU, the immediate family members of the primary member would no longer be eligible to join the FCU.

Sincerely,

Sheila A. Albin  
Associate General Counsel

GC/NSW:bhs  
SSIC 6010  
97-0326