

February 23, 2007

Nancy S. Hollyfield, Manager
Mountain Empire Federal Credit Union
1413 North Main Street
Marion, VA 24354

Re: Matching Plan for Employee Savings.

Dear Ms. Hollyfield:

You have asked if Mountain Empire Federal Credit Union (the FCU) may offer a monthly matching deposit for special savings accounts for employees as an employee benefit. Specifically, you asked if NCUA's Truth in Savings Act (TISA) regulation applies to this benefit. 12 C.F.R. §707.

The matching deposit to special employee savings accounts is a permissible employee benefit if it meets certain NCUA regulatory requirements noted below and, because employees must be members to have an account, the FCU must comply with disclosure requirements in NCUA's TISA regulation for member accounts. Please note we do not express an opinion regarding any issues under the Employee Retirement Income Security Act of 1974 (ERISA) or tax law that may arise as a result of the restrictions the FCU states it wants to place on these accounts. On those matters, the FCU should consult with its own legal counsel or tax professional.

The FCU intends to offer a matching deposit to employees who invest up to \$20.00 monthly into an individual, special savings account. No withdrawals would be permitted until the end of employment at the FCU. Additionally, no other monies would be commingled with these funds. The FCU intends to deposit the matching funds at the end of the year and pay all applicable taxes.

The FCU may offer matching deposits as an employee benefit if the benefit meets the requirements of NCUA's regulation on employee benefits. 12 C.F.R. §701.19. That regulation allows a federal credit union to offer benefits "to its employees and officers who are compensated in conformance with the Act and the bylaws," however, the benefits "must be reasonable given the FCU's size, financial conditions, and the duties of the employees." 12 C.F.R. §701.19(a).

NCUA's TISA regulation will apply to the proposed special savings accounts the FCU proposes to offer to its employees as an employee benefit. If the FCU's employees establish accounts at the FCU to obtain the proposed employee benefit, they will need to be FCU members and the accounts will be member accounts. NCUA's TISA regulation applies to all member accounts and, therefore, employees will be entitled to receive disclosures meeting the requirements of the TISA regulation. 12 C.F.R. Part 707. As noted in the TISA regulation, its purpose is to allow actual and potential members to make informed decisions about credit union accounts. 12 C.F.R. §707.1(b).

ERISA may be triggered due to restrictions on withdrawals tied to an employee's employment with the FCU. 29 U.S.C. §1001 *et seq.* You note, as well, the FCU will pay applicable taxes. Tax and ERISA matters are outside NCUA jurisdiction; therefore, you should consult with your own counsel regarding these matters.

Sincerely,

/S/

Sheila A. Albin
Associate General Counsel

OGC/AMT/SAA:bhs
06-1030