

January 19, 2005

Mr. William H. Yarborough, CEO
U.S. Postal Service Federal Credit Union
7905 Malcolm Road, Suite 311
Clinton, MD 20735-1730

Re: Membership Rights and Par Value of Shares.

Dear Mr. Yarborough:

You have asked if it is permissible for a federal credit union (FCU) to establish a higher par value of a share for new members than for existing members. As long as the FCU has a rational basis for establishing a higher par value for new members, we have no objection to your plan. We advise you to consult with local counsel to ensure this policy does not violate any other applicable state or federal laws.

Your credit union would like to maintain its \$5 par value for existing members, but increase the par value of a share for new members. The bases for increasing the par value of a share for new members include the FCU's desire to have a higher share to asset ratio to help absorb the costs associated with loan applications and generate higher dividends and lower loan rates. The basis for retaining the \$5 par value for existing members is to avoid potential confusion or hardship for them if existing members with balances below a new par value were required to increase their deposits to the new par value. You also noted you are not considering any service limitations for existing members who became members with investment in a \$5 par value share.

The FCU Act provides that persons are eligible for membership upon the subscription to at least one share of the credit union and the payment of the initial installment. 12 U.S.C. §1759. The FCU Bylaws provide for an FCU's board of directors to establish the par value of a share, permissible installment amounts, and a time period in which a member must complete payment of at least one share. FCU Bylaws, Art. III. Neither the FCU Act nor the FCU Bylaws prohibit imposition of a higher par value for new members, and we note we have previously permitted an FCU to set different par values for minors' accounts. OGC Op. 90-0515, June 5, 1990 (available on the agency website).

In a previous opinion letter, we stated an FCU may not adopt policies that create separate classes of members without a rational basis for doing so. OGC 98-0713, Dec. 2, 1998 (available on the agency website). Arguably, your proposed policy is not creating separate classes of members, but rather, "grandfathering"

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or protecting current members from an increase in the requisite par value. In any event, we note your credit union has a rational basis for increasing the par value of a share for new members and for maintaining the \$5 par value for existing members.

We caution that any policy that treats members differently could be subject to challenge under state and federal anti-discrimination laws. You should review your proposed policy with local counsel to ensure that it complies with all applicable federal and state laws.

Sincerely,

/s/

Sheila A. Albin
Associate General Counsel

OGC/EAW:bhs
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