

UNITED STATES OF AMERICA  
BEFORE THE NATIONAL CREDIT UNION ADMINISTRATION

In the Matter of

XXXXXXXXXXXXXXXXXXXXX  
004

*Docket 99-INS-*

Insurance Claim

Decision and Order on Appeal

Decision

This matter comes before the National Credit Union Administration Board (Board) pursuant to 12 CFR 745.202 as an administrative appeal of the determination by the Agent for the Liquidating Agent of Lancaster Teachers Credit Union denying xxxxxxxx xxxxxxxxxx insurance claim.

Background

Lancaster Teachers Credit Union (hereinafter Credit Union) was a state-chartered, federally insured credit union. It was chartered in 1935 to serve employees of the Lancaster County School District in Pennsylvania. The Credit Union became insolvent and was placed into liquidation by the Pennsylvania Department of Banking on March 24, 1998. The NCUA Board was named as liquidating agent by the Pennsylvania Department of Banking. NCUA's Asset Management & Assistance Center (AMAC) is responsible for managing liquidations of federally-insured credit unions.

xxxxxxx had a share account and several loans with the Credit Union.<sup>[1]</sup> Upon liquidation, AMAC notified xxxxxxxx of his account balances on record at the Credit Union. Credit Union records indicated xxxxxxxx had a share account balance of xxxxxx and a loan balance of xxxxxxxx. The share account balance was transferred to another credit union; loan payments were made to AMAC. Soon after the liquidation, but after xxxxxxxx had been notified of his balances, AMAC discovered there had been major record keeping deficiencies at the Credit Union. In addition to other problems, no running balances of share accounts appeared on Credit Union records; account withdrawals were allowed without regard to the balances in the accounts.

When xxxxxxxx completed payment of his loan, AMAC did a reconstruction of his accounts. AMAC reconstructed xxxxxxxxxx accounts based on the records available from the Credit Union. All records had not been reviewed when AMAC initially sent out balance information. AMAC used May 30, 1994, as a start date for its reconstruction.<sup>[2]</sup> AMAC analyzed available information and produced a spreadsheet setting forth beginning balances, deposits made to and withdrawals made from the share account, dividend and loan payments, and the new final balances in the accounts on the date of liquidation. Other than dividends, all deposits were in the form of payroll deduction. Withdrawals were in the form of

checks drawn on the Credit Union's account at a local bank. Loan payments were made by payroll deduction. Due to the fact that Credit Union staff had allowed for overdrafts (presumably without informing xxxxxxxx), and had not properly applied xxxxxxxxxx payroll deduction to pay off his loan, AMAC determined that, on the liquidation date, xxxxxxxx was overdrawn in the amount of xxxxxxxx and owed an additional xxxxxxxx on his loan. AMAC waived the loan amount due and notified xxxxxxxx of the negative balance in his account. xxxxxxxx appealed AMAC's determination that his account was overdrawn in the amount of xxxxxxxx.

xxxxxxx believes that the balances noted in AMAC's initial correspondence to him (share balance - xxxxxxx and loan balance of xxxxxxxx) are the correct balances. However, xxxxxxx does not contest any of the deposits, withdrawals, dividends or loan payments noted on the spreadsheet produced by AMAC as a result of its reconstruction. xxxxxxx submitted no evidence disputing the May 1994 beginning balances used by AMAC in its reconstruction. Further, xxxxxxx submitted no evidence to dispute the negative balance in his account as determined by AMAC. In light of these facts, the AMAC's determination that xxxxxxxxxx account was overdrawn in the amount of xxxxxxxx, based on its reconstruction of his account records, is a reasonable one.

#### Order

For the reasons set forth above, it is ORDERED as follows:

The Board upholds the Liquidating Agent's decision to deny xxxxxxxxxx claim, affirms the AMAC's determination that xxxxxxxxxx account was overdrawn by xxxxxxxx and denies xxxxxxxxxx appeal.

The Board's decision constitutes a final agency determination. Pursuant to

12 CFR 745.203(c), this final determination is reviewable in accordance with the provisions of Chapter 7, Title 5, United States Code, by the United States Court of Appeals for the District of Columbia or the court of appeals for the Federal judicial circuit where the credit union's principal place of business was located. Such action must be filed not later than 60 days after the date of this final determination.

So ORDERED this 16th day of December, 1999 by the National Credit Union Administration Board.

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Becky Baker  
Secretary of the Board

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<sup>[1]</sup> The loans were consolidated for purposes of repayment.

<sup>[2]</sup> This date was chosen because it was the earliest date that complete information was available from the Credit Union's converted computer sys

tem.