

February 5, 1991

Delmar W. Darling
2111 Adams Street
La Crosse, WI 54601

Re: Dividends (Your December 26, 1990, Letter)

Dear Mr. Darling:

You state that the Trane Employees Federal Credit Union pays dividends on fully paid \$5 share increments rather than on the full balance in share accounts. You ask whether the credit union's failure to disclose this fact raises a "truth in advertising" concern.

Analysis

Section 117 of the Federal Credit Union Act (12 U.S.C. ~1763) directs that federal credit unions (FCUs) with a par value above \$5 must, when dividends are declared on a regular share account, pay dividends on all the funds in the account. The FCU Act does not include such a restriction for FCUs that maintain a par value of \$5 or below. Thus, FCUs with a par value of \$5 or below may pay dividends on increments of par value. Since your credit union has a par value of \$5 and is paying dividends on all fully paid shares, it is in compliance with the Act.

Section 701.35(b) of NCUA's Rules and Regulations (12 C.F.R. ~701.35(b)) states that an FCU "shall accurately represent the terms and conditions of its share, share draft, and share certificate accounts in all advertising, disclosures, or agreements, whether written or oral." You have not provided us with a copy of the FCU's dividend disclosure statement, so we cannot say with certainty that it is not misleading; in our opinion, however, simply failing to state that dividends are only paid on full shares does not amount to a violation of Section 701.35(b).

Sincerely,

Hattie M. Ulan
Associate General Counsel

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