

January 18, 1996

The Board of Directors
Greater Boston Federal Credit Union
137 South Street
Boston, MA 02111

Re: Reimbursement of Expenses (Your Letter of November 28, 1995)

Dear Board of Directors:

You have asked that an exception be granted to Greater Boston Federal Credit Union (GBFCU) with respect to the application of Section 701.33 of the National Credit Union Administration (NCUA) Rules and Regulations. You state that GBFCU's directors are geographically dispersed and that GBFCU has a long practice of reimbursing directors for wages lost to attend board meetings. You argue that GBFCU's membership consists of railroad workers, who do not have paid personal leave, sick time, or flex time, and that it is GBFCU's responsibility to reimburse directors for lost wages. You state that NCUA's granting of an exception to Section 701.33 would be in the best interests of GBFCU's membership and would constitute a recognition that GBFCU's situation is unique.

Section 701.33 provides that only one board officer of a federal credit union (FCU) may be compensated as such and that no other official may receive compensation for serving as a board or committee member. "Compensation" includes the reimbursement of lost wages. Unfortunately, no exceptions to this prohibition can be made. The regulation does not provide a means for the NCUA to grant the exception you are seeking. Your FCU's practice of providing reimbursement of some wages lost to attend a board meeting is a violation of Section 701.33.

You may be interested to know that in 1988, the NCUA Board proposed to amend Section 701.33 by expanding it to permit FCUs to reimburse officials for pay or leave lost while attending board or committee meetings. Of the 86 commenters, 62 opposed the expansion. The primary reason given for opposing the proposal was that reimbursement would be contrary to the credit union philosophy of volunteerism. In light of the comments received, the Board decided not to go forward with the proposal.

Although we cannot approve the reimbursement of lost wages, we support GBFCU's efforts to recruit directors from a wide geographic area. In that light, we note that there is a standard bylaw amendment to Article VII, Section 4, which permits conference call telephone meetings as an alternative to regular meetings. This alternative may allow directors at remote locations to participate in board meetings without incurring lost wages. The enclosed letter to Theresa Timmons, dated February 22, 1991, provides additional information regarding this issue.

Sincerely,

Richard S. Schulman
Associate General Counsel

GC/LH:sg
SSIC 3501
95-1218
Enclosure