

January 29, 1996

Richard Gerien  
General Manager  
British Airways Employees FCU  
75-20 Astoria Boulevard  
Jackson Heights, N.Y. 11370

Re: Waiving Fees, Cashing Checks and Camel Ratings  
(Your December 19, 1995, Letter)

Dear Mr. Gerien:

You have asked us to confirm your analysis of when or if a federal credit union ("FCU") can provide preferential loan treatment to volunteer members of its board of directors and committees ("officials"), and its employees. Your letter correctly states that the National Credit Union Administration's ("NCUA") regulations prohibit an FCU from offering preferential rates, terms or conditions to officials on any loan or line of credit. 12 C.F.R. §701.21(d)(5). This prohibition includes waiving the annual fee for a Visa card. In addition, except for limited reimbursement of travel expenses to attend a board meeting and some insurance products, section 701.33 of NCUA Regulations also prohibits all forms of compensation to officials including preferential rates on ATM transactions. These restrictions only apply to officials; an FCU may provide preferential rates and terms on loans, lines of credit and ATM transactions to its employees.

You have also asked whether the FCU can cash paychecks issued by its sponsor to nonmembers. NCUA has concluded that an FCU, as incidental to its authority to receive shares from a member may make disbursements on behalf of that member to third parties. See enclosed January 25, 1991, letter from Hattie M. Ulan, Associate General Counsel to David B. Beckhorn, Wegmans FCU, Re: Money Order Product. As long as your sponsor is a member of the FCU, the FCU may cash its payroll checks.

Your last question involves the NCUA CAMEL rating system. We have asked NCUA Region I to respond to that question.

Sincerely,

Richard S. Schulman  
Associate General Counsel

GC/JSM:sg  
SSIC 3500  
95-1236  
Enclosure