

August 18, 2011

Patricia O'Connell
Quartararo & Lois, PLLC
1399 Route 52, Suite 101
Fishkill, NY 12524

Re: Hudson Valley FCU Volunteer Service Award Policy

Dear Ms. O'Connell:

Thank you for your letter to the General Counsel of July 23, 2011, seeking our opinion on whether Hudson Valley FCU's policy of giving a Volunteer Service Award of a \$250 Visa gift card is permissible under NCUA's rule limiting compensation of officials, 12 C.F.R. 701.33 ("the Rule"). The policy provides for such awards "at the end of each five-year period of service" to volunteers who may include members of the credit union's board of directors ("BOD") and committees. As explained below, our opinion is that a Volunteer Service Award recognizing an individual director's or committee member's substantial length of service is permissible under the Rule so long as the award is nominal in value in proportion to the period of service it covers.

The Rule provides that "only one board officer, if any, may be compensated as an officer of the board" and that "[n]o other official may receive compensation for performing the duties or responsibilities of the board or committee position" he or she holds. *Id.* §701.33(b)(1); 12 U.S.C. 1761a. The Rule defines an "official" as a member of the BOD, credit committee or supervisory committee, or other volunteer committee established by the BOD. 12 C.F.R. 701.33(a). "Compensation" excludes reimbursement of necessary and appropriate costs of official business (e.g., travel expenses) and reasonable health, accident and related personal insurance; it does not expressly address or exclude awards. *Id.* §701.33(b)(2).

Our view is that a monetary award to individually recognize an official's multiple years of volunteer service—as opposed to an award periodically given (e.g., annually or bi-annually) to all volunteers or to a class of volunteers (e.g., all directors) then-serving—would constitute an incentive to volunteerism, rather than proscribed "compensation," provided that the amount per year of service is nominal. Based on our prior opinions,"

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and adjusted for inflation, we would consider a maximum of \$50 per year of service to be "nominal."

Sincerely,

/s/

Hattie M. Ulan
Associate General Counsel

OGC/SWW: bhs
OGC No. 11-0805