

ESTABLISHMENT & PURPOSE

25X1A A memorandum to the Executive Director from the Executive for Administration and Management, [REDACTED] Subject: Credit Union, dated 1 August 1947, is one of the first records on file concerning the need of a credit union for CIG civilian employees.

The purpose was to promote thrift among members by affording them an opportunity for accumulating their savings and to create for them a source of credit for loans for provident or prudent purposes.

Memorandum dated 11 August 1947 to the Director from the Executive for Inspection and Security, Colonel Sheffield Edwards, concurred with the idea of setting up such a credit union, provided the Board of Directors of the Credit Union be required to carry out security provisions for its operations as established by the Executive for Inspection and Security.

The Director of Central Intelligence approved the proposed project on 14 August 1947.

25X1A Memorandum dated 12 September 1947, signed by [REDACTED] 25X1A  
25X1A [REDACTED] was circulated to all employees requesting an expression of interest in such a credit union. The group required at least one hundred (100) members willing to work together with

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a genuine desire to be of assistance to their fellow members.

Within the month, a total of [REDACTED] employees 25X1A  
had expressed an interest in joining such a credit union.

A petition to organize the CIA Federal Credit Union  
was presented to the Federal Deposit Insurance Corporation<sup>(1)</sup>  
on 4 November 1947. The petitioning subscribers requested  
permission to organize in accordance with provisions of Public  
Act #467 of the 73rd Congress, entitled "An Act to establish  
a Federal Credit Union System, to establish a further market  
for securities of the United States and to make more available  
to people of small means credit for provident purposes through  
a national system of cooperative credit, thereby helping to  
stabilize the credit structure of the United States."

There were ten original subscribers, each of whom subscribed  
for one share. [REDACTED]

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[REDACTED]  
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[REDACTED]  
and Edward R. Saunders (then Comptroller of the Central Intelli-  
gence Group and first Credit Union President).

The Organization Certificate dated 4 November 1947 was  
approved by FDIC on 19 November 1947, pursuant to provisions

(1) On 19 July 1948, the powers, duties and functions of Federal  
Deposit Insurance Corporation <sup>regarding</sup> credit union activities,  
were transferred to the Federal Security Agency (a predecessor  
Agency of Health, Education & Welfare). On 10 March 1970, by  
Public Law 91-206, the National Credit Union Administration  
was established as an independent Agency.

of Section 4 and Section 16 (c) of the Federal Credit Union Act. Letter was received from FDIC dated 19 November 1947 wishing success to the new Credit Union.

The name of the Credit Union was to be the CIA Federal Credit Union.

An amendment was approved 14 March 1955 changing name to Northwest Federal Credit Union.

#### FEDERAL SUPERVISION

The FDIC was to be responsible for carrying out the provisions of the Federal Credit Union Act and supervising the activities of the Credit Union. The books and records of the Credit Union would be examined each year by an FDIC examiner.

#### LOCATION

The Credit Union was to maintain its offices in Washington, D.C., to operate in Washington and adjoining counties of Maryland and Virginia. This was changed by amendment approved 22 October 1962 requesting that office of operations be changed from Washington, D.C., to McLean, Virginia.

The first office of the Credit Union was located in Room 203, Central Building.

The Main Branch of the Credit Union is now located in Headquarters Building. This office is open from 1000 to 1500 hours daily and from 1000 to 1600 hours on bi-weekly paydays. The Credit Union also operates a branch office at the Ames Building which is open from 1130 to 1330 hours daily and from 1000 to 1400 hours on bi-weekly paydays. Another branch office is located at [REDACTED] and is open on Thursdays only from 1000 to 1200 hours and on payday Thursday from 1000 to 1300 hours. There is a [REDACTED] which is operated on paydays from 1300 to 1500 hours.

MEMBERSHIP

1. Active - The field of membership was limited to civilian employees of the Central Intelligence Agency in Washington, D. C., and adjoining counties in Maryland and Virginia; employees of the Credit Union, members of their immediate families, and organizations of such persons. An amendment was approved 7 July 1950 extending field of membership to include other places where Central Intelligence Agency employees may be located and was further amended on 18 May 1956 to include military personnel of Department of Defense assigned to CIA.

An applicant could be admitted to membership by executing an Application for Membership Card and paying an entrance fee of 25¢ together with a payment of 25¢ toward the purchase

Resolution No. 70-3 approved by the Board of Directors on 29 April 1970 abolished the \$0.25 entrance fee.

2. Retired - On 8 July 1970, the Board of Directors adopted Resolution 70-6 permitting retired employees to continue their membership in the Credit Union subject to certain limitations. Retired members must maintain a minimum share balance of \$100.00 and they are permitted to borrow from the Credit Union only to the extent that the loan request is fully secured by shares on deposit.

#### MANAGEMENT

The Credit Union was to be managed by the following:

1. A Board of Directors, consisting of five members, to be responsible for the general direction and control of the affairs of the Credit Union, using the Federal Credit Union Act and the By-Laws as guidelines. The By-Laws were revised in April 1969 giving the Board greater scope in directing the affairs of the Credit Union. The Board may now change general policies of the Credit Union by resolution rather than having to refer to NCUA for approval.
2. Credit Committee, consisting of three members, to be responsible for approval or disapproval of loans; to determine the security, if any, required for approved

loans and the terms for repayment of said loans.

On 16 December 1953, an amendment was approved changing the number of members to seven.

3. Supervisory Committee, consisting of three members, to be responsible for making a quarterly examination of the affairs of the Credit Union, including auditing the books.

#### ELECTIONS & MEETINGS

There was to be an annual meeting held during the month of January each year. This was changed by amendment approved 20 March 1964, stating that annual meeting of the members shall be held in each year, within the time provided in the Act, in the County in which the office of the Credit Union is located or within a radius of 20 miles of such office, at such time and place as the Board shall designate. Elections for the Board of Directors and the Committee members were to be held at that time. This was changed by Resolution 69-11 dated 21 April 1969 which stated that the Supervisory Committee members would be appointed by the Board of Directors for periods of one year.

The officers of the Credit Union were President, Vice President, Treasurer and Clerk, all of whom were elected by the members of the Board from their number. The officers now consist of President, First & Second Vice President, Treasurer and

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Secretary.

The first annual meeting of the CIA Federal Credit Union was held in the Projection Room, Administration Building, at 4:00 P.M., on Friday, 30 January 1948. The first Credit Union President was Edward R. Saunders.

PERSONNEL

At the onset, there were no paid staff employees of the Credit Union. Agency employees were assigned to handle the necessary clerical work.

The first actual paid employee was [REDACTED] now General Manager, in March 1952. [REDACTED] was employed by the Agency, given the standard clearance and training, and then assigned to the Credit Union. The Agency was reimbursed from Credit Union earnings for his services.

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The staff has now increased until there are twenty-five (25) full-time employees (all of whom, like [REDACTED] are paid by the Agency which, in turn, is reimbursed by the Credit Union) and twelve (12) part-time employees who are utilized on paydays and during peak work periods. The part-time employees are not Agency employees but are paid directly by the Credit Union. They must be former Agency employees or must have a spouse employed with the Agency. All employees are bonded under [REDACTED]

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The Credit Union management prefer to employ people with former banking or accounting experience and the ability to meet and deal effectively with a great number of people. Employees are trained through an on-the-job training program. Occasionally, there are also training sessions available through the D.C. Credit Union League (our local trade association) and certain employees are selected to attend these, depending upon the particular type of operation being stressed.

SHARES

The par value of a share, then, as now, was \$5.00. A member could pay into the Credit Union any sum from 25¢ to \$500.00 provided such payment did not make the share balance in excess of \$500.00. A member with a share balance of \$500.00 could deposit at the rate of \$20.00 per month thereafter.

The maximum amount of shares which could be held was increased as the Credit Union grew, until Resolution 69-6 approved 21 April 1969 stated that the maximum amount of shares which could be held by any one member was \$5,000.00. The monthly share deposit was changed to no more than \$50.00 per month by Board Resolution approved 26 February 1968. On 13 August 1969, the Board approved Resolution 69-17 which declared an open season on savings and stated that the limitations on monthly deposits and shares would be suspended.

All Credit Union share accounts are now insured for up to \$20,000.00 by NCUA by Board Resolution No. 70-8 approved 27 Oct. 1970.

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DIVIDENDS

Dividends were computed on each \$5.00 share to a member's credit as of the close of the dividend period and until 1971 the credit union paid dividends on a yearly basis. However, by Resolution 71-8, approved 5 February 1971, the Board changed to a quarterly dividend period effective 31 March 1971. The Credit Union has paid a dividend every year since its inception with the exception of 1947.

Dividends, up to a limit of 6%, as set by the by-laws, could be paid each year from the balance of earnings remaining after expenses were paid and the required amount set aside as a reserve for bad loans. By Public Law 91-468 dated 19 October 1970, the formula for setting aside the reserve was changed, as follows:

"10 per centum of gross income until the regular reserve shall equal  $7\frac{1}{2}$  per centum of the total of outstanding loans and risk assets, then

"5 per centum of gross income until the regular reserve shall equal 10 per centum of the total of outstanding loans and risk assets.

Whenever the regular reserve falls below 10 per centum or  $7\frac{1}{2}$  per centum of the total of outstanding loans and risk assets, as the case may be, it shall be replenished by regular contributions in such amounts as may be needed to maintain the reserve goals of  $7\frac{1}{2}$  per centum or 10 per centum.

"In addition to such regular reserve, special reserves to protect the interest of members shall be established-

"(1) when required by regulation; or

"(2) when found by the Administrator, in any special case, to be necessary for that

LOANS

A loan limit of \$100.00 was established by the Board. All applications for loans were to be referred to the Credit Committee. Terms for repayment were between \$5.00 or \$10.00 per payday with the requirement that at least 25¢ was to be paid on shares with each loan repayment. The rate of interest on loans was 1% per month.

Since that time, there have been great changes made in the loan policy, primarily in amounts of individual loans and types of loans which could be secured from the Credit Union. The Credit Union will now loan money to its members with the following used as security:

1. Shares - A member may borrow up to 80% of ~~his~~ shares on deposit at a preferred interest rate of 6% per annum.

2. Cars, Trailers, Planes, Boats & Mobile Homes - These are chattel mortgage loans for which the Credit Union requires a title or notarized bill of sale which is held in the files for the duration of the loan.

3. Comaker - A member may use an acceptable comaker (an employed person over 21 willing to assume responsibility for the loan if the member cannot make payments) as security for a loan.

4. Stock - The Credit Union will accept stock certificates as collateral for loans and will lend up to 50% of the market value of stock listed on the open market.

5. First & Second Trust Loans - Members may borrow approximately 60% of the total purchase price or equity on property with a 10-year repayment period.

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*Check with  
[redacted] (CW)  
indicates:*

*1. \$500,000 allocation  
for educational  
loans.*

*2. Limit for  
individual is for  
4 yrs of "higher  
education."*

*3. Graduate  
school is  
excluded from  
loan.*

6. Education Loans - There are two types of educational loan plans offered by the Credit Union: Both plans are for dependents of members for higher education. The first plan requires that repayment be made <sup>within the school year</sup> before any further disbursements can be made and the second is an extended payment plan allowing up to 8-1/3 years to repay. Both plans are at a 1/2% interest rate.

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The educational loan plan was also extended on 30 Jan. 1970 to include special education for handicapped or disabled children.

Interest rates on loans now vary from 1/2 to 1% per month on the unpaid balance, depending upon collateral offered and length of time required for repayment.

The Board determines the loan policies using the Federal Credit Union Act as a guideline. Each loan application is

submitted to the Credit Committee or to a Loan Officer for evaluation and approval. The Committee or the Loan Officer take into consideration the amount of the loan, purpose, applicant's income, obligations, record of payment on previous loans, if any, and age. An acceptable guarantor is required for any member under the age of 21. (The Credit Union will lend up to \$100.00 for living expenses to a new employee of the Agency, regardless of age and without a guarantor). Each loan application is judged on an individual basis. The loss rate on loans has never exceeded .073 %.

As of 1 September 1966, a program of loan insurance was instituted. All loans are covered for the unpaid balance of the loan up to \$5,000.00 so that in the event of death of a borrower, the outstanding loan is automatically paid off. This insurance coverage is provided by the Credit Union at no expense to the borrower.

#### PAYROLL DEDUCTIONS

On June 29, 1968, the Federal Employees Payroll Deduction Law (Public Law 90-365) was approved. This law provided for Government employees to request allotments from their pay to financial organizations for savings purposes. The implementation of this law was approved for Agency purposes early in 1969 for employees on vouchered funds to have deductions made

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to the Credit Union.

ANOMALOUS PROCEDURES:

Due to the nature of the Agency with which the Credit Union is associated, there are certain inherent problems, not common to other Credit Unions, which must be handled in an other than routine manner. These problems concern the security classification of certain of our members, and certain precautions must be taken when dealing with these members.

1. LOANS

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3. CORRESPONDENCE

All outside correspondence between Northwest Federal Credit Union and covert members must be handled through Security Division or a secure depository.

4. COLLECTION PROCEDURES

The Credit Union may not employ collection agencies or legal procedures to collect delinquent loans without the Agency's approval of the procedures and the firm or persons employed to seek recovery in the case of covert members.

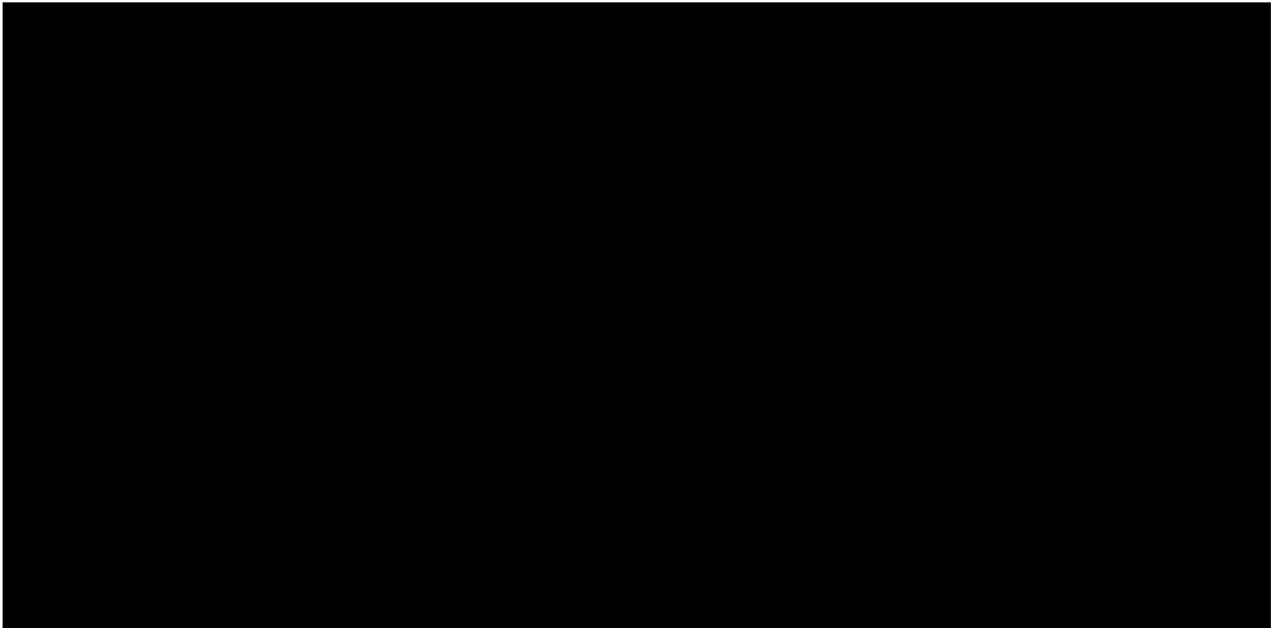
In a Memorandum of Understanding dated February 1965, between the Central Intelligence Agency, Bureau of Federal Credit Unions and the Northwest Federal Credit Union, these three agencies agreed to certain responsibilities to be assumed by each of them in connection with collection procedures and verification of accounts for covert members.

5. REPORTING OF DIVIDENDS TO IRS

In a Memorandum of Understanding dated 7 January 1964 from [REDACTED] Assistant General Counsel, Central Intelligence Agency, to Mr. Mitchell Rogovia, Assistant to the Commissioner, Internal Revenue Service, Department of the Treasury, Washington, 25, D.C., it was agreed that in order

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6. [REDACTED]

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This handbook covers Credit Union procedures and policies and is for use of PCS members [REDACTED] It is revised periodically in order to keep these members informed of new Credit Union policy.

GROWTH

The Credit Union has grown at a phenomenal rate since 1947. Total assets for the year ending 31 December 1947 were \$2,762.00 as compared to total assets for the year ending 31 December 1970 of \$23,014,316.00. The total amount of money in shares for the year ending December 1947 was \$2,737.00 and for December 1970 was \$20,198,556.00.

The annual dividend return has ranged from 4% to 6%, depending upon earnings.

The Credit Union had 121 accounts at the end of the  
first year and, as of the end of 1970, had [REDACTED] 25X1A



☐ UNCLASSIFIED

INTERNAL  
USE ONLY

☐ CONFIDENTIAL

☐ SECRET


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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

25X1A

FROM:

 - Credit Union

1 J 33

Hqs.

EXTENSION

NO.

DATE

7345

24 Nov. 1971

TO: (Officer designation, room number, and building)

25X1A

DATE

RECEIVED

FORWARDED

OFFICER'S  
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.



29  
Nov

*[Signature]*

Copies of documentation to be attached to Credit Union History.

2.

3.

SSHO

203 Key Bldg.

Jack:

4.

We suggest that the Historical Staff retain the attached copies of documents which are pertinent to the history of the Agency's Credit Union.

5.

6.

7.

25X1A

8.

9.

10.

11.

12.

13.

14.

15.

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# ROUTING AND RECORD SHEET

SUBJECT: (Optional)

History of the Credit Union

FROM:

Historical Officer/OP  
626 Chamber of Commerce Bl.

EXTENSION

NO.

DATE

16 November 1971

TO: (Officer designation, room number, and building)

25X1A

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.

812 Magazine Bl.

2.

3.

4.

5.

6.

7.

8.

9.

10.

11.

12.

13.

14.

15.

Jim:

Forwarded herewith is a draft of the Credit Union History which the SSHO has found exceptable for appropriate reference in your Overview.

25X1A

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## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

History of the Credit Union

FROM:

Historical Officer/OP  
626 Chamber of Commerce Bldg.

EXTENSION

NO.

DATE

11 November 1971

TO: (Officer designation, room number, and building)

25X1A

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.

203 Key Bldg.

1 Nov 71 5 Nov 71

Per our conversation, the attached is a re-draft of the Credit Union History.

2.

3.

As we agreed this is a piece which ought to go finally to [REDACTED] for appropriate reference in the Overview.

4.

25X1A

5.

NOV 1971

25X1A

6.

7.

8.

9.

25X1A

10.

11.

12.

25X1A

13.

14.

15.

John:

I am returning the ribbon copy of the Credit Union paper. A copy should go to [REDACTED] and I would not recommend any further revision. ~~at this time~~ I have made a Xerox copy of the report for retention in the Historical Staff's document files; and, as I told [REDACTED] if the Credit Union wants to retain any documentary materials used in the paper, we will also file those.

25X1A

15 Nov 71

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