

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

REC'D IN RECORDS SECTION
MAR 4 1971
221.204
Date January 15, 1970

Office Correspondence

To Board of Governors

Subject: Request for Special Arrangements

From Irving Gedanken, President
Board of Directors
FRB Federal Credit Union

The Board of Directors of the FRB Federal Credit Union hereby requests the Board: (1) to authorize the Office of the Controller to provide for payroll deductions for repayment of Credit Union loans; (2) to authorize the Office of the Controller and the Division of Data Processing to make appropriate provision for automation of the Credit Union bookkeeping system; and (3) should employment of an outside manager have a deleterious effect on earnings, to subsidize operations by contributing toward the compensation of a professional Credit Union manager.

In its memorandum of January 12, "Salary Allotments to Financial Organizations," the Office of the Controller submitted to the Board a proposal, in accordance with Public Law 90-365, for extending to employees the option of having payroll deductions for credit to savings or share accounts. Inasmuch as the FRB Federal Credit Union is a "financial organization" within the meaning of the statute, Board approval of the proposal would automatically provide for payroll deductions for purchase of Credit Union shares. Thus, the Credit Union request is merely to have the payroll deduction arrangement extended to include repayment of loans. The Office of the Controller has indicated it is prepared to implement and maintain such a loan repayment program.

The request that authorization be given the Office of the Controller and the Division of Data Processing to make appropriate provision for automation of the Credit Union bookkeeping system would involve, in essence, an extension of the procedures and processes involved in payroll deductions for shares and loans. Both the Office of the Controller and the Division of Data Processing indicate they are prepared to develop and maintain the procedures necessary to implement this proposal.

The subject of employing an "outside," i.e., non-Board employee, manager for the Credit Union has been discussed for some time. The request for financial assistance is based on the premise that, following an interim period in which to view the effects of the Thrift Plan and the payroll deduction procedures discussed above, the Credit Union may employ an outside manager, and that the expenses incurred in such a changeover could adversely affect earnings and dividends, and ultimately affect share balances and the ability of the Credit Union to make loans to employees. While no estimate as to a dollar amount can be given at this time, the financial assistance required would be limited to the amount necessary to maintain its present position.

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The Office of the Controller is prepared to set up and maintain the operations necessary for a system of payroll deductions for repayment of Credit Union loans.

The Division of Data Processing estimates that a total Credit Union accounting system can be designed and made operable in 2-1/2 months' time by an expenditure of four man-months of systems analyses and programming time, plus 30 hours of computer time for testing, debugging, etc. The Data Processing Division estimates a manpower cost of about \$3,900 and a computer time cost of about \$7,350, making a total project cost of approximately \$11,000.

In view of existing priorities and commitments, developmental work in the Division of Data Processing cannot start until after March 31. This would mean a target date of June 15.

The cost of maintaining a total Credit Union accounting system would be minimal. In essence, the system would be an extension of the automated loan and share accounting processes.

This Office has no comment with regard to the proposal that the Board contribute toward the compensation of a Credit Union manager in the initial stages of the changeover.

Attachment

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To Board of Governors

Subject: Request for Special

From Office of the Controller

Credit Union Arrangements.

1/15/70
In the attached memorandum, the FRB Federal Credit Union requests: that authorization be given the Office of the Controller to provide for payroll deductions for repayment of Credit Union loans; that authorization be given the Office of the Controller and the Division of Data Processing to make appropriate provision for automation of the Credit Union bookkeeping system; that the Board contribute toward compensation of a Credit Union manager during the initial stages of changeover to this type of operation.

As stated in Mr. Gedanken's memorandum, pay allotments for purchase of Credit Union shares have already been proposed via a memorandum from this Office to the Board, subject, "Salary Allotments to Financial Organizations," dated January 12. In that memorandum, this Office explained that we would expect to be able to place the payroll savings plan in operation within a short time, that implementation would have some impact upon operations within the Office of the Controller, but that additional staff would not be required and resultant increases in administrative costs, including clerical and mailing costs, would not be significant.

As to computer programming costs, we explained that the logic to perform the necessary payroll deductions for savings is already provided in the computer payroll system and, similarly, computer processing time would be minimal.

Pay allotments for repayment of Credit Union loans can also be provided for in the new computer payroll system being designed for processing the payroll on the new computer, the 360/65.

We expect that, except for Thrift Plan payroll deductions, most payroll deductions intended for financial organizations would be for the Credit Union. Currently, there are about 630 employees enrolled in the Thrift Plan. Assuming about 300 deductions pertaining to the Credit Union, we judge that the providing of payroll deductions for Credit Union loan repayments would not add a significant burden to the entire payroll input/output system, including all clerical and computer processes.

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