

February 6, 1992

Donald P. LeBlanc
Lafayette Schools Federal Credit Union
216-A La Rue France
Lafayette, Louisiana 70508

Re: Member Business Loans (Your January 14, 1992, Letter)

Dear Mr. LeBlanc:

You object to NCUA's classification of school bus loans over \$25,000 made to members by Lafayette Schools Federal Credit Union (FCU) as member business loans. You were previously informed by the Region III Director that such loans are business loans because the proceeds of your school bus loans will be used to purchase collateral that will be used exclusively for business purposes. Although the member business loan regulation has been revised, the answer provided to you by Region III is still correct. Section 701.21(h)(1)(i) of NCUA's Regulations (12 C.F.R. 701.21(h)(1)(i)) now defines a member business loan in part as:

. . . any loan, line of credit, or letter of credit, the proceeds of which will be used for a commercial, corporate, business, investment property or venture. . . .

As stated previously by the Region III Director, since the proceeds of the loan will be used for a commercial purpose, the loan is a business loan. Although the Internal Revenue Service may not recognize bus operations as a business, we are not bound by their interpretation. Therefore, if Lafayette Schools Federal Credit Union continues to make school bus loans in excess of \$25,000, the FCU must comply with NCUA's member business loan regulation.

Sincerely,

Hattie M. Ulan
Associate General Counsel

GC/MM:sg
SSIC 3501
92-0117

cc: Allen Carver, Region III Director