

August 7, 1992

Patricia Schumacher  
Vice President of Credit Operations  
State Department Federal Credit Union  
1630 King Street  
Alexandria, VA 22314-2745

Re: Treatment of Loan Balances Upon Death of Debtor (Your June 30, 1992, Letter)

Dear Ms. Schumacher:

You have asked whether there is a requirement that a loan balance be transferred to a general ledger account (charged off to allowance for loan losses) as long as it is still performing, i.e., regular monthly payments are being received. You have suggested, as an example, a situation in which the member dies, but there is a co-applicant/guarantor who continues to make regular monthly payments on the loan. You have also suggested, as a second example, a situation in which the member dies, and there is no co-applicant/ guarantor, but a family member or friend continues to make regular payments on the loan out of a sense of moral responsibility. There is no legal responsibility for the family member or friend to make the payments.

As long as a loan is performing, there is no requirement to transfer it to a general ledger account. We would suggest, however, that the death of the member be noted in the account records.

Sincerely,

Hattie M. Ulan  
Associate General Counsel

GC/LH:sg  
SSIC 4650  
92-0703