

February 3, 1993

Leonard Pugatch, Esq.  
Tassan and Pugatch  
255 Glen Cove Road  
Carle Place, New York 11514-1237

Re: Delegations to the Executive Committee

Dear Mr. Pugatch:

On July 28, 1992 we responded to your inquiry on whether the board of directors of a federal credit union (FCU) may delegate to the executive committee its authority to approve loans to credit union officials. We stated that such a delegation was not permitted. We have since reviewed our position and have concluded that such a delegation is permissible as long as certain safeguards are in place.

As you know, the FCU Act requires that:

(iv) a loan or aggregate of loans to a director or member of the supervisory or credit committee of the credit union making the loan which exceeds \$10,000 plus pledged shares, be approved by the board of directors; [and]

(v) loans to other members for which directors or members of the supervisory or credit committee act as guarantor or endorser be approved by the board of directors when such loans standing alone or when added to any outstanding loan or loans of the guarantor or endorser exceeds \$10,000 . . . .

12 U.S.C. §1757(5)(A)(iv and v).

We believe that the intent of these provisions is to guard against insider abuse and to ensure that the directors know about and approve of lending to officials above the stated limits.

Considering that the executive committee is comprised of board members and acts on behalf of the board, and in the absence of an express statutory or regulatory prohibition, we believe this loan approval requirement may be delegated to the executive committee. For FCU's that choose to adopt such a delegation, this will avoid unnecessary delays for loans that are within normal policy and present little risk to the credit union. To ensure appropriate oversight and review by the board, we would expect that all loans to officials approved by the executive committee be reported to the full board on a monthly basis at the regular board meeting. We would also recommend that loans above an established limit as determined by the credit union, such as the FNMA limit of \$203,150, be subject to full board review and approval prior to being granted. This will ensure full board accountability for any loan that might present significant risk to the credit union. We believe such measures will provide adequate safeguards and meet the requirements of the FCU

Act.

Therefore, consistent with the above limitations, the board of directors of an FCU may delegate its authority to approve loans to credit union officials to the executive committee of the FCU.

Sincerely

Hattie M. Ulan  
Associate General Counsel

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