

April 29, 1996
Dorothy R. Jedlick, Manager
Irvin Works Federal Credit Union
P.O. Box 250
Dravosburg, PA 15034-0250

Re: Waiver of Fees on Home Equity Loans (Your April 3, 1996, Letter)

Dear Ms. Jedlick:

You have asked whether a federal credit union ("FCU") that waives the fees associated with a home equity loan can require a borrower to reimburse the FCU if the borrower repays his entire loan within six months of origination. As described in the enclosed letters, this practice is permissible when the borrower agrees to only make the scheduled monthly payments for a specified period in return for the FCU waiving the fees. See Letters from Hattie M. Ulan, Associate General Counsel to Beth Ringgenberg, CUNA Mutual Insurance Group, Re: Prepayment Penalties - Loan Incentives, dated June 14, 1993, and to George Poitou, California Credit Union League, Re: Prepayment Penalties - Waiver of Fees, dated March 9, 1993.

I hope that we have been of assistance.

Sincerely,

Richard S. Schulman
Associate General Counsel

GC/JM:bhs
SSIC 3500
96-0406
Enclosures