

April 30, 1997

Kristen D. Tatlock, Director, Research and Information
Virginia Credit Union League
1207 Fenwick Drive
P.O. Box 11469
Lynchburg, VA 24506

Re: Denial of Services
(Your April 18, 1997, Letter)

Dear Ms. Tatlock:

You have asked whether a federal credit union (FCU) may adopt a policy of denying services to a member who has a delinquent loan. As explained below, the answer is yes.

In the past, we have allowed for suspension of services when the member caused a loss as a result of bankruptcy, an NSF check or a charged-off loan, but we have never addressed the issue of a delinquent loan. You advise that a delinquent loan increases the FCU's collection costs resulting in a loss to the credit union. As long as the FCU has a rational basis for limiting services, we would have no legal objection.

For additional information, I am enclosing a copy of a letter from Hattie M. Ulan, Associate General Counsel to Ms. Nancy Nichols dated February 27, 1993. It discusses a member's fundamental rights and other applicable laws that may affect the FCU's policy.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/MFR:bhs
SSIC 3600
97-0429
Enclosure