

August 28, 1997

Jacqueline Dial, VP Lending/Collections
Heritage Valley Federal Credit Union
P.O. Box 3617
York, PA 17402-0617

Re: Sale of Charged-off Loans
Your Letter dated July 17, 1997

Dear Ms. Dial:

You asked whether a federal credit union (FCU) can sell its nonperforming, charged-off loans which you also refer to as the FCU's distressed asset portfolio. Yes, an FCU can sell its charged-off loans to other parties under its authority to "purchase, hold, and dispose of property necessary or incidental to its operations." 12 U.S.C. §1757(4). We do not have any guidelines that specifically address the sale of charged-off loans. If you have particular questions about a transaction, you may find it helpful to discuss them with NCUA's Region II at (703) 838-0401.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/MSB:bhs
SSIC 4650
97-0722

cc: Region II