

September 26, 1997

A. Lysa Simon, Esq.
17134 Devonshire Street
Suite 202
Northridge, California 91325

Re: Assumption of Credit Union Real Estate Loans by Nonmembers
Your Letter of August 21, 1997.

Dear Ms. Simon:

You have asked whether a federal credit union may permit a nonmember, to assume a real estate loan granted by the credit union to a member, if the nonmember qualifies for the loan based on the credit union's financial criteria. This issue is addressed in NCUA's Interpretive Ruling and Policy Statement 85-3. It states that, if a nonmember purchases a member's principal residence, a federal credit union may permit a nonmember to assume a member's mortgage loan if:

- (1) The nonmember assumes *only* the remaining unpaid balance of the loan (no new money or refinancing);
- (2) There is no extension of the original maturity date beyond that specified in the loan agreement with the member;
- (3) The original loan was not made to the member with the underlying intent of having a nonmember immediately, or soon thereafter, assume the loan;
- (4) The terms of the assumption are consistent with the loan agreement and in compliance with the FCU Act, NCUA Rules and Regulations, and other applicable law.

Enclosed is a copy of Interpretive Ruling and Policy Statement 85-3 that provides further guidance on this issue.

Sincerely,

Sheila A. Allbin
Associate General Counsel

GC/MJMcK:bhs
SSIC 3501
97-0853

Enclosure