

January 9, 1998

Ms. Mary Mortenson  
Tel-Effective Communications, Inc.  
1106 Second Street, Suite 183  
Encinitas, CA 92024

Re: Loan Participation Authority  
Your letter dated December 16, 1997

Dear Ms. Mortenson:

You have asked whether there are field of membership restrictions when a federal credit union (FCU) enters into a loan participation agreement and is not the originating lender. No, there are not.

The National Credit Union Administration's loan participation regulation permits an FCU that is not the originating lender to participate in loans made to its own members, as well as loans to members of another participating credit union. 12 C.F.R. §701.22(d)(2). The regulation limits the types of loans in which the nonoriginating FCU may participate by requiring that the nonoriginating FCU must have a participation policy in place that describes the loan underwriting standards that it will apply before entering into a participation agreement. An FCU may only participate in loans that are of a type (for example, real estate, commercial, construction, etc) that it is authorized to make itself. 12 C.F.R. §701.22(d)(1).

Sincerely,

Sheila A. Albin  
Associate General Counsel

GC/MFR:bhs  
SSIC 3500  
97-1251