

April 6, 1998

Carla Stone Witzel, Attorney at Law
233 East Redwood Street
Baltimore, Maryland 21202-3332

Re: Loan Review Committee

Dear Ms. Witzel:

You have written asking whether the board of directors can delegate its review of loan appeals to a committee composed solely of directors. As explained below, the answer is no.

The Federal Credit Union Act (the Act) states that if a federal credit union does not have a credit committee all loan appeals must be reviewed by the board of directors. 12 U.S.C. §§1761b(17) and 1761c(b). You analogize these provisions to the provisions of the Act that require director approval for loans to directors. 12 U.S.C. §1757(5)(A)(iv) and (v). You question why we allow the board to delegate to a committee composed solely of directors the authority to approve director's loans, but don't allow the board to delegate loan review appeals. Our view is that the intent of the director loan approval provisions is to guard against insider abuse and to ensure that the directors know about and approve of lending to officials above the stated limits. Delegating approval to a committee composed solely of directors and requiring the committee to report the loans to the full board each month complies with the statutory intent.

We believe the intent of the loan appeal statute is quite different. This provision is for the protection of the member. Providing members a review of loan denials by a committee rather than the entire board of directors would dilute the procedural right provided in the Act. Therefore, we conclude that the directors may not delegate its review of loan appeals to a committee.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/MFR:bhs
SSIC 3600
98-0214