

June 26, 1998

Roderick R. Rovzar, Esq.
Norman, Hanson & DeTroy
415 Congress Street
P.O. Box 4600
Portland, Maine 04112-4600

Re: 12 C.F.R. §701.21(c)(8), Your letter dated April 28, 1998.

Dear Mr. Rovzar:

You have asked for an opinion concerning the propriety of a federal credit union (FCU) employing the husband of a senior management official to perform maintenance work on real estate owned by the credit union as a result of foreclosure on a loan. The board of directors of the credit union approved the hiring and the chairman of the board approves any invoices for his services. As discussed below, this employment appears to be permissible.

NCUA regulations prohibit an official or employee of a federal credit union or an immediate family member of an official or employee of a federal credit union from receiving any compensation in connection with a loan made by the credit union. 12 C.F.R. §701.21(c)(8). In this case, our opinion is that the connection between the making of a loan, which may end up in foreclosure, and the payment of compensation to the senior management official's husband for maintenance on the foreclosed property is so attenuated that it does not violate the regulation.

Please note that FCU Bylaws prohibit the senior management official from participating in the deliberation on or the determination concerning any matter affecting her pecuniary interest, including the selection of her spouse for such a service contract or the payment for such services. FCU Bylaws, Article XIX, Section 4. The FCU should also be cautioned that the payment of such compensation is subject to all state and federal revenue reporting and record keeping requirements

Sincerely,

Sheila A. Albin
Associate General Counsel

OGC/DMS:bhs
SSIC 3500
98-0501