

July 7, 1998

Hubert H. Carroll, CPA
O'Rourke, Sacher & Moulton
150 North Hill Drive, Suite 27
Brisbane, CA 94005

Re: Indirect Loans to Credit Union Officials, Your letter dated June 5, 1998.

Dear Mr. Carroll:

You have asked whether the boards of directors for state chartered federally insured credit unions (FISCUs) and federal credit unions (FCUs) must approve indirect loans to directors and committee members. The Federal Credit Union Act (the Act) and the National Credit Union Administration Rules and Regulations require an FCU board of directors to approve loans to directors and committee members or loans guaranteed by directors or committee members that are over \$20,000. 12 U.S.C. 1757(5)(A)(iv) and (v) and 12 C.F.R. §701.21(d)(4). These provisions do not apply to FISCUs. 12 C.F.R. §741.203.

Although your clients are FISCUs, you are also interested in the requirements for FCUs. The attached letter from me to Linda J. Lehnertz, dated August 6, 1997, explains that an indirect lending arrangement will be classified as a loan if the FCU makes the final underwriting decision and the FCU is assigned the loan shortly after it is made. If you determine that the indirect lending arrangement is a loan, the Act will apply and director approval will be required prior to making the loan.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/MFR:bhs
SSIC 4650
98-0637
Enclosure