

GC/MRS: sg

SSIC 6100

93-1119

TO: []

FROM: Richard S. Schulman

Acting Associate General Counsel

SUBJ: Nonstandard Bylaw Amendment, []

Credit Union (Your November 5, 1993)

DATE: January 31, 1994

As a follow up to our September 13, 1993, memorandum on this same subject, you asked that we review a revised version of the proposed amendment to determine whether the changes we recommended have been incorporated. As revised, the proposal would add Article VII Section 5(g) to read:

Appointing a loan review committee, if there is no credit committee to review loan denials and delegating to the committee the power to overturn denials of loan applications. The committee shall function as a mid-level appeal committee for the board. Any denial of a loan by the committee must be reviewed by the board upon written request of the member.

The loan review committee shall consist of three members and the regular term of the office of the loan review committee member shall be for two years. Not more than one member of the committee may be appointed as a loan officer.

The revised proposal is consistent with our suggestions, and we have no legal objection to it. Please note that we have added a sentence at the end limiting the number of loan officers to one. This is consistent with the limitations for a "credit committee" and we think it is appropriate for a "loan review committee".

You have further asked whether a bylaw amendment is necessary to accomplish this. Section 113(13) of the Act - states that the board of directors may "**(if the bylaws so provide**, appoint an executive committee ... and any other committees to which it can delegate specific functions". (emphasis added). In the past, we have required credit unions to establish the committee through a bylaw. We are unable to eliminate this requirement because to do so would be a clear violation of the Act. We are recommending that the Region in conjunction with the other Regions draft a standard bylaw amendment addressing the issue. We would be happy to assist in the process.