

GC/MFR:bhs

SSIC 6100

95-0725

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FROM: Richard S. Schulman, Associate General Counsel

SUBJ: Nonstandard Bylaw Amendment - []

(Your July 17, 1995, Memorandum)

DATE: July 26, 1995

You have asked for our comments on []request for a nonstandard bylaw amendment to Article XII, Section 1 of the standard Bylaw Amendments. As stated in your memo, this office "has no legal objection to a nonstandard bylaw amendment that waives the majority of signatures requirement for a not-for-profit organization so designated under the IRS Code. Rather, requests for nonstandard amendments are to be reviewed on the basis of safety and soundness."

You have also asked whether unsecured lending is permissible if an FCU has adopted the nonstandard amendment waiving the majority of signatures requirement for a not for-profit organization. Your query is based on the fact that §701.21 (h)(2)(ii)(B) is silent with respect to collateral. This section is silent because it only addresses signature requirements, collateral having been addressed in the immediately preceding subsection. The collateral requirements in §701.21 (h)(2)(ii)(A) are applicable to all member business loans with the limited exception of credit card lines of credit described in §701.21(h)(2)(ii)(C).

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