

July 27, 1992

James Felmet
Vice President/Loan Operations
IBM Endicott/Owego Employees Federal Credit Union
One Credit Union Plaza
24 McKinley Avenue
Endicott, N.Y. 13760-5491

Re: Loan Officer Authority (Your June 30, 1992, Letter)

Dear Mr. Felmet:

You have asked whether your credit committee may adopt a policy that permits loan officers some discretion in loan approvals. The answer is yes, but the board of directors must first specifically adopt the policy.

Loan officers are permitted to approve loan requests but are not allowed to deny them. Your FCU has an elected credit committee that reviews all loan denials. The credit committee would like to adopt a policy that permits loan officer approval of up to 5% over the stated debt to income ratios if the member has above average qualifications.

Section 107(5)(A) of the FCU Act (12 U.S.C. 1757(5)(A)) authorizes an FCU to make loans to members "in conformity with criteria established by the board of directors." Section 113(20) of the FCU Act (12 U.S.C. 1761b(20)) states that the board of directors shall "establish lending policies." Section 701.21(c)(2) of NCUA's Regulations (12 C.F.R. 701.21(c)(2)) requires an FCU's board of directors to have written loan policies. Section 107(5)(A)(x) of the FCU Act requires all loans to be approved by either the credit committee or a loan officer. Under Article IX, Section 4 of the Standard Federal Credit Union Bylaws, the credit committee may delegate to loan officers the power to approve applications for loans consistent with board policy.

Before loan officers can implement the 5% policy, the board of directors must first address the requirements for above average qualifications and then specifically adopt the policy. Such action would be consistent with the above-cited provisions of the FCU Act, NCUA Regulations and FCU Bylaws. Any safety and soundness concerns will be addressed by the NCUA examiner.

Sincerely,

Hattie M. Ulan
Associate General Counsel

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