

August 4, 1992

Gary C. Schoepp, President
Richland Federal Credit Union
P.O. 1648
Sidney, Montana 59270

Re: Loan Participations (Your July 21, 1992 Letter)

Dear Mr. Schoepp:

You asked whether Richland Federal Credit Union ("FCU") can participate in loans originated by banks. As long as the FCU complies with Section 701.22 of the NCUA Rules and Regulations, such participation is permissible.

Section 107(5)(E) of the FCU Act (12 U.S.C. ~1757(5)(E)) authorizes an FCU to become involved in "[p]articipation loans with other credit unions, credit union organizations, or financial organizations ...". Section 701.22 of the Regulations implements this authority. Section 701.22(b) states that an FCU "may participate in making loans with eligible organizations" if certain requirements are met. Section 701.22(a)(2) includes "financial organization" within the definition of "eligible organization." "Financial organization" is defined in ~701.22(a)(5) as "any federally chartered or federally insured financial institution." Clearly an FCU may participate in a loan originated by a federally insured bank. However, the regulation limits participating FCU lenders that are not the originating lender to, among other things, participating only in "loans it is empowered to grant and loans to its own members or members of another participating credit union." Section 701.22(d)(1) & (2). A copy of ~701.22 is enclosed. We also note that even if all legal requirements are met, all loan participation programs are subject to safety and soundness review by your NCUA examiner.

Sincerely,

Hattie M. Ulan
Associate General Counsel

Enclosure

GC/HMU:bhs
SSIC 4650
92-0731