

March 14, 1997

Donald Mattison
State Capitol Federal Credit Union
2015 Rice Street
Roseville, Minnesota 55113

Re: Preferential Loan Rates to Employees (Your February 24, 1997, Letter)

Dear Mr. Mattison:

You state that State Capitol Federal Credit Union is interested in offering computer loans to its employees at a reduced or discounted rate in an effort to encourage its employees to use the credit union's home banking package. You ask whether State Capitol FCU can permissibly offer lower loan rates to its employees without also having to make these same rates available to its general membership. Yes.

Section 701.21 of NCUA Rules and Regulations sets forth the standards to which a federal credit union (FCU) must adhere when making loans or issuing lines of credit. Under this provision, an FCU is prohibited from granting preferential loans to its officials, an immediate family member of an official, and an individual having a common ownership, investment or other pecuniary interest with an official or immediate family member. 12 C.F.R. §701.21(d)(5). An official is defined as any member of an FCU's board of directors, credit committee or supervisory committee and includes an official that is also an employee of an FCU. 12 C.F.R. §701.21(d)(2). However, there is no prohibition against an FCU offering preferential loans to its employees. Thus, State Capitol FCU can offer computer loans to its non-official employees at a loan rate lower and different from the rate offered to the general membership.

Sincerely,

Sheila A. Albin
Acting Associate General Counsel

GC/NSW
SSIC 3500
97-0247