

February 4, 1998

Stan Fraser, CEO
Animas Credit Union
850 Municipal Drive
Farmington, New Mexico 87401

Re: Preferential Loan Rates to Employees, Your letter dated November 10, 1997.

Dear Mr. Fraser:

You ask whether you, as Chief Executive Officer, may receive a mortgage loan rate below that offered to the general membership as part of your employment contract with a credit union. Yes.

NCUA regulations prohibit credit unions from granting preferential loans to officials, immediate family members of an official, and individuals having a common ownership, investment or other pecuniary interest with an official or an official's immediate family member. 12 C.F.R. §701.21(d)(5). An official is defined as any member of a credit union's board of directors, credit committee or supervisory committee and includes an official that is also an employee of a credit union. 12 C.F.R. §701.21(d)(2). However, there is no prohibition against a credit union offering preferential loans to its employees.

You state that you are to be employed by the credit union as its Chief Executive Officer only, and that you are not currently a member of the board of directors, supervisory committee, or any other volunteer committee at the credit union. Thus, as solely an employee of the credit union, you may receive a preferential mortgage loan rate offered under your employment contract with the credit union.

Sincerely,

Sheila A. Albin
Associate General Counsel

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