

July 29, 1998

Beverly J. Lucas, Esq.
Willig, Williams & Davidson
Twenty-Fourth Floor
1845 Walnut Street
Philadelphia, Pennsylvania 19103

Re: The Permissibility of Extending an Automobile Lease and Waiving the Excess Mileage Charge, Your letter dated June 3, 1998.

Dear Ms. Lucas:

The National Credit Union Administration's (NCUA) Region II Office forwarded your letter to the Office of General Counsel for response. You ask whether a federal credit union (FCU) may extend vehicle leases and waive any excess mileage charges if it does so. Yes, however, the automatic waiving of any excess mileage charges may create safety and soundness concerns.

An FCU may engage in the lease financing of personal property pursuant to Interpretive Ruling and Policy Statement (IRPS) 83-3 (attached) as long as the leases are the functional equivalent of loans. IRPS 83-3 sets out the requirements with which leases must comply to be permissible. As long as a lease is in compliance with IRPS 83-3, the decision of whether to extend the lease and waive any excess mileage charge is that of the FCU. Thus, an FCU may legally extend a lease and waive an excess mileage charge.

Your question of extending a lease and waiving the excess mileage charge is basically one of safety and soundness. We suggest that you contact District Examiner Audrey Royster if you have any further questions regarding this matter.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/NSW:bhs
SSIC 3000
98-0651

cc: C. Keith Morton, Region II