

June 18, 2001

Michael Murray, CEO  
UCF Federal Credit Union  
12287 University Blvd.  
Orlando, FL 32817

Re: Mortgage Servicing as a Charitable Contribution.

Dear Mr. Murray:

You have asked whether it is permissible for a federal credit union (FCU) to perform mortgage servicing as a charitable contribution for a chapter of Habitat for Humanity located in the FCU's community. Habitat for Humanity is an organization that is tax exempt under §501(c)(3) of the Internal Revenue Code, which among its activities sells low cost houses at no profit with no interest charged on the mortgage. We have no legal concerns with the proposed charitable contribution, as long as the FCU complies with the requirements in NCUA's charitable contribution regulation. 12 C.F.R. §701.25.

Our understanding is that you serve or will be serving on the board of the local chapter. We caution that the FCU Bylaws prohibit a director, committee member, officer, agent or employee of the credit union from participating in the deliberation on any matter affecting his or her pecuniary or personal interest or the pecuniary interest of any corporation in which he or she is directly interested. FCU Bylaws, Article XVI, Section 4. Thus, the FCU's board of directors must make the decision to engage in this charitable activity without your participation in the deliberation.

You have also asked if adding the chapter of the charitable organization as a select group to your field of membership would provide a means to service the loans. Our understanding is that Habitat for Humanity will own the loans. As long as the FCU provides the mortgage servicing free of charge as a charitable contribution, there is no issue regarding the borrowers' or chapter's membership in your field of membership.

Sincerely,

Sheila A. Albin  
Associate General Counsel

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