

July 18, 1996

William G. Berg  
Financial Management Services Specialist  
Florida Credit Union League, Inc.  
P.O. Box 3108  
Tallahassee, Florida 32315-3108

Re: Credit Scoring System (Your April 16, 1996, Letter)

Dear Mr. Berg:

You have asked whether a federal credit union ("FCU") can delegate the duties of its loan officer to an automated credit scoring system ("System"). Since one of the functions of a loan officer is to exercise judgment in determining whether to grant credit, we do not believe that a non natural person can serve as an FCU's loan officer. However, we believe that a System that is programmed to implement an FCU's loan policies can, in effect, carry out the prior determination of the FCU's board. In establishing the qualifying "score" for the System, the board determines the criteria for extending credit in a later case. When the factors in a particular case are entered into the System, and the System generates a number that previously has been determined to qualify or not qualify for an extension of credit, the System is simply following the FCU's lending policy. Thus, an FCU may implement a program involving a System as long as the "score" obtained from the System is the sole determinant of the granting of credit. While the System's use is permissible, FCUs still need loan officers to make discretionary lending decisions on credit applications that the System's preset lending criteria would deny.

Also, using the System raises bonding issues, Equal Credit Opportunity Act questions and safety and soundness concerns that should be directed to the appropriate regional office. To assist you in identifying these issues, we have enclosed a letter from me to Andre' Lewis, Richland Teachers Council FCU, Re: Affinity Automated Loan Machine, dated July 27, 1995.

I hope that we have been of assistance.

Sincerely,

Richard S. Schulman  
Associate General Counsel

GC/JM/LH:bhs  
SSIC 3500  
96-0431  
Enclosures

cc: Region III Director