

June 18, 1998

Larry W. Norris, President  
West Monroe City Employee's Federal Credit Union  
2305 North 7<sup>th</sup> Street  
West Monroe, Louisiana 71291

Re: Wage Assignments, Your letter dated May 6, 1998.

Dear Mr. Norris:

You have asked whether it is permissible for a federal credit union (FCU) to secure a loan to a nonprofit organization through wage assignments of the members of the association. Unless an FCU has received approval for a nonstandard bylaw amendment, a loan to an association must either be secured by its shareholdings in the FCU or the loan must be made jointly to the association and a majority of the association's members, depending on the bylaw provision adopted by the FCU.

The FCU Bylaws state that loans to other than natural persons must be share secured. FCU Bylaws, Article XII, Section 1. Alternatively, FCUs can adopt a standard amendment that allows an FCU to make a loan to an association if the loan is made jointly to a majority of the members of the association and to the association in its own right. FCU Standard Bylaw Amendments and Guidelines, Article XII, Section 1.

A majority of the association members are not co-borrowers on the loan. We also note that the wage assignments, which you contend are serving as collateral on the loan, are assignments by association members to the association, not to the FCU. Since the loan was made only to the association, it must be secured by the association's shares.

Sincerely,

Sheila A. Albin  
Associate General Counsel

GC/MFR:bhs  
SSIC 3700  
98-0516