

July 1, 1998

Gail Mackey, Supervisory Committee Chairperson  
Womens Southwest Federal Credit Union  
P.O. Box 720207  
Dallas, Texas 75372-0207

Re: Board of Director's Authority to Approve Loans, Your Letter dated June 18, 1998.

Dear Ms. Mackey:

You advise that your federal credit union (FCU) has a policy that requires the board of directors to approve a loan to a director, committee member or employee if the loan exceeds \$3,000 over pledged shares. Your letter refers to a letter from me to Ed Templeton, dated May 29, 1998, that states that, if an FCU has a credit committee, it is not permissible for the board of directors to approve all loans. You ask whether it is permissible for an FCU to have a lending policy that is "more restrictive" than the FCU Act. Our view is that this is not a question of your policy being more restrictive than the process for approval of loans contemplated by the FCU Act. The FCU Act, however, explicitly provides that, if an FCU's bylaws provide for a credit committee, it is the credit committee that approves loans except for those which must be approved by the board of directors. 12 U.S.C. §§1761c,1757(5)(A)(iv) and (v).

The letter to Mr. Templeton does not say, as you stated, that "the Board of Directors does not have the authority to review loans to officials for amounts of \$20,000 or less." (Emphasis added). It is our view that an FCU's board of directors can review loans to officials that are below \$20,000, the amount above which the FCU Act requires board approval. The board of directors can, if it chooses, review all loans to officials and, as part of its review, can disapprove loans that a credit committee has previously approved.

Sincerely,

Sheila A. Albin  
Associate General Counsel

GC/MFR:bhs  
SSIC 3500  
98-0653