



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

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George B. Azar, Esquire
Azar, Campbell & Azar
P.O. Box 2028
Montgomery, AL 36197-1101

Dear Mr. Azar:

This is in reply to your letter dated December 21, 1984, to Mr. Robert Fenner concerning a reduced interest rate loan to an FCU employee. Specifically, you ask whether an FCU could make such a loan to its president (an employee of the Credit Union) and not all employees of the FCU, in order to recognize the president for his past services to the FCU and to assure his continued services in the future.

Section 701.21(d)(5) of the NCUA Rules and Regulations (12 C.F.R. §701.21(d)(5)) addresses the issue of preferential loan treatment of FCU officials. It states in pertinent part:

"The rates, terms and conditions of any loan or line of credit made to an official. . . shall not be more favorable than the rates, terms and conditions for comparable loans. . . to any other credit union member."

"Official" is defined in section 701.21(d)(2) as:

". . . any member of the board of directors, credit committee or supervisory committee."

In the matter before us, as stated in your letter, the president is not a member of the board of directors, credit committee, or supervisory committee, and therefore, would not be considered an "official" for purposes of the prohibition in section 701.21(d)(5).

The Credit Union can fashion a loan policy where only the president, and not other employees of the Credit Union would receive a favorable loan interest rate. This is a matter within the discretion of the Credit Union's board of directors.

I hope that we have been able to assist you.

Sincerely,

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STEVEN R. BISKER
Assistant General Counsel