



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

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3700  
MAR 28 1985

A. Mark Adcock, Esquire  
Moore, Van Allen, Allen & Thigpen  
3000 NCNB Plaza  
Charlotte, NC 28280

Dear Mr. Adcock:

This is in response to your letter dated December 18, 1984, to Robert Fenner of this Office concerning secured ~~VISA~~ questions. Specifically, you ask for our interpretation of the FCU Bylaws with respect to the freezing of shares pledged as collateral for a revolving line-of-credit.

Article III, Section 5(c) of the Standard FCU Bylaws limits a member from withdrawing shares pledged as required security on loans except to the extent that the shares exceed the member's total primary and contingent liability to the FCU. For purposes of interpreting this Bylaw provision, we do not consider the unused portion of a line of credit as either a primary or contingent liability. Therefore, a member's right to withdraw those shares is entirely dependent on the contract between him and the credit union and not the FCU Bylaws.

Finally, addressing your question concerning compensating balances, you accurately state in your attachment that NCUA has not previously defined the term, compensating balance, in open-end loan situations. We are presently reviewing the compensating balance issue and regret that we cannot give you a more informative response at this time. However, we expect to have an updated position on the question in the very near future.

I hope we have been of assistance.

Sincerely,

A handwritten signature in blue ink, appearing to be 'R. Fenner'.

ROBERT M. FENNER  
Director, Department of Legal Services

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