



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

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Mr. Manny Weiss
Chairman of the Board
FAA Eastern Region
Federal Credit Union
Federal Building
J. F. Kennedy International Airport
Jamaica, NY 11430

Dear Mr. Weiss:

This is in response to your letter dated May 7, 1985, concerning loans to Federal credit union officials. Specifically, you request our interpretation of the word "review" in Section 701.21(d)(4) of the NCUA Rules and Regulations. You state:

"If the Credit Committee has recommended approval based on sound fiscal requirements of our policy what is it that the Board must review in its process. It is [sic] sufficient to merely look at the cover sheet workup which would include other outstanding obligations, income, and collateral or are we required to specifically look at items like the officials [sic] Share Balances and other data which would or could be an infringement [sic] of their privacy."

I believe for purposes of clarity and understanding, a brief summary of the legal requirements of FCU loans to officials (defined in Section 701.21(d)(2) to include members of the board of directors, credit committee, or supervisory committee) would be helpful.

First, it should be understood that only in instances where the aggregate of loans and lines of credit to an official, or on which the official is an endorser, cosigner, or guarantor, exceeds \$10,000 plus pledged shares, must the FCU's board "review and approve" (or deny) a loan application where the official is a direct obligor, endorser, cosigner, or guarantor. Section 701.21(d)(4) provides the method by which the \$10,000 amount is to be calculated. Although the board must review and approve or deny such loan applications, the credit committee or loan officer may initially act upon the application. This authority is provided in Section 701.21(d)(3).

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Second, if, as is the case in your Credit Union, the credit committee has initially acted upon the application (recommended approval or denial), the board in those instances noted above, is required to review and approve or deny the application. The type of "review" required by the board should be sufficient, in and of itself, to provide the basis for approving or denying the application. If that requires the examination of share balances, etc. (as may often be the case), then the board must do so before it takes final action. Your stated concerns about the officials' privacy is not applicable in these instances since personal financial information is typically required for purposes of establishing an individual's creditworthiness.

I hope that we have been of assistance.

Sincerely,

A handwritten signature in black ink, appearing to be 'S. Bisker'.

STEVEN R. BISKER
Assistant General Counsel