



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456  
December 7, 1987

GC/RD: sy  
4650

Office of General Counsel

John F. Leonardo  
The Summit FCU  
1200 Sibley Tower  
Rochester, New York 14604

RE: Proposed Loan Processing Agreement with Car Dealer/Your  
October 30, 1987, Letter

Dear Mr. Leonardo:

We believe the activity you describe is permissible for an FCU.

Under the proposed arrangement, the car dealer will prepare the loan documents and secure the customer's signature on the promissory note and security agreement. Approval of the loans rests solely with the credit union. Auto loans consummated in this manner will not deviate in terms or rates from auto loans placed directly by the FCU. The FCU will pay the dealer a flat fee of \$100.00 for these services.

Section 107(1) of the Federal Credit Union Act [12 U.S.C. §1757(1)] provides that an FCU has the power to make contracts relating to its business. An agreement with an auto dealer to prepare loan documents is reasonably related to an FCU's loan business. So long as the FCU board of directors retains control over loan decision-making as required by Section 113(13) and 114

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of the Act [12 U.S.C. §§1761b(13) and 1761c] and all loans comply with NCUA's Rules and Regulations, the arrangement described with an auto dealer would be permissible for an FCU.\*

Sincerely.

A handwritten signature in black ink, appearing to read "Timothy P. McCollum". The signature is fluid and cursive, with a large initial "T" and "M".

TIMOTHY P. McCOLLUM  
Assistant General Counsel

RD:sg

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\*We give no opinion on the safety or soundness of this practice as actually conducted.