



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

March 14, 1988

Office of General Counsel

Joseph L. Kay, Esq.
11 North Pearl Street
Suite 1405
Albany, NY 12207

Re: Participation loans (your letter dated
February 8, 1988)

Dear Mr. Kay:

You have asked if Federal credit unions (FCU's) can participate in loans made by other credit unions after the loans have been made. An FCU can engage in such a plan as long as it is in compliance with Section 701.22 of the NCUA Rules and Regulations (12 C.F.R. 701.22). A copy of Section 701.22 is enclosed. We reach no conclusion as to your particular participation program since you did not submit any of the details of the program.

One of the requirements of Section 701.22 may present a problem for FCU's participating in loans that have already been made. Section 701.22(b)(2) requires that:

prior to final disbursement, a written participation agreement shall be properly executed, acted upon by the Federal credit union's board of directors or the investment committee and retained in the Federal credit union's office. The agreement shall include provisions which identify the participation loan or loans.

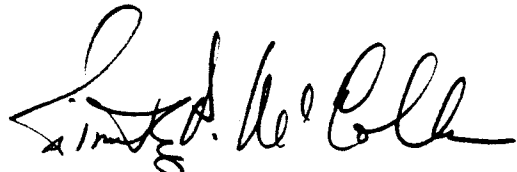
The participation agreement must be executed before disbursement of the loans. If loans have already been disbursed and no agreement has been entered into, the above-noted requirement of the loan participation regulation will not be met. If that is the case, an FCU may wish to purchase loans pursuant to Section 701.23 of the NCUA Regulations. A copy of Section 701.23 is also

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enclosed. We will be reviewing Sections 701.22 and 701.23 within the next several months to determine if any modifications are necessary given today's financial environment.

Sincerely,

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

TIMOTHY P. McCOLLUM
Assistant General Counsel

HMU:bhs

Enclosures