



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

Office of General Counsel

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September 15, 1989

Susan E. Propper, Esq.
Assistant General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: Request for Comments on Loans to Candidates and
Political Committees (Your July 28, 1989, Letter)

Dear Ms. Propper:

Thank you for your recent letter soliciting NCUA's comments on revisions to the Federal Election Commissions's ("FEC's") regulations governing bank loans to candidates and political committees. Federal credit unions ("credit unions"), by their unique nature, will not participate in loans to candidates and committees to the same extent as banks and thrift institutions. Credit unions make loans only to their members. Membership in a credit union is limited to persons with a common bond of occupation, association, or community. Credit unions cannot make loans to the general public. If a candidate or political committee is a member of a credit union, they can apply for a campaign loan, assuming the credit union's loan policies permit such loans. We are unaware of any particular problems involving credit union loans to candidates and/or political committees.

While we do not request an opportunity to testify at the public hearing scheduled for October 4, 1989, on this matter, we do submit the following comments.

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Repayment Standard

Specifically, you requested comment on the Federal Election Campaign Act and FEC's implementing regulation requiring bank loans be "made on a basis which assures repayment" if they are to be considered as loans rather than contributions (See 54 Fed. Reg. 31286 (7/27/89)). FEC's proposed rule incorporates three approaches to the assurance of repayment. The three approaches are:

- (1) loans must be secured by traditional types of collateral;
- (2) non-traditional types of collateral including expectancies of future contributions or income to campaigns would be accepted; and
- (3) the requirement for a written instrument evidencing the loan and the inclusion of a due date or amortization schedule with no collateral requirements.

We believe the quality of a loan is one that should be left to the financial institution's determination. Before a loan to a member candidate or political committee can be made, the borrower has to show an ability to honor an obligation under market conditions. The key factor in making any loan, including those to candidates and political committees, should be that the loan is made on a basis which, consistent with the credit union's overall credit policy and NCUA's Rules and Regulations, assures repayment and is a permissible loan. We believe the best interpretation of the "assurance of repayment" standard is simply that a loan must be made on a repayment basis in accordance with the credit union's usual lending procedures and standards (including any collateral requirements) for loans to members of like qualifications.

Sincerely,

Hattie M. Ulan

HATTIE M. ULAN
Assistant General Counsel