



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

May 9, 1990

Mr. Donald C. Granato
President,
Steel Works Community Federal Credit Union
P.O. Box 762
Cove Station
Weirton, W Va. 26062

Re: Legality of Special Loan Rates (Your
May 2, 1990, Letter)

Dear Mr. Granato:

You ask whether the Steel Works Community Federal Credit Union (FCU) could offer a special loan rate to members whose children will be travelling to the Soviet Union as part of a cultural exchange. Such a loan plan does not violate the FCU Act or the National Credit Union Administration Rules and Regulations.

Children of members of your FCU who belong to a dance troupe have been invited to perform in the Soviet Union. The trip will be quite costly. The FCU would like to offer members a lower loan rate to assist the parents in covering the cost of the trip. It is our opinion that an FCU would not be in violation of either the FCU Act or the NCUA Rules and Regulations by charging a lower loan interest rate for this particular loan program. We must advise you that such a lowered rate could potentially present problems under other Federal statutes and regulations. For example, problems of discrimination could possibly arise under the Equal Credit Opportunity Act and its implementing regulation, Regulation B.

The information submitted with your letter indicated that the group raising money for the trip is a nonprofit community foundation. Your FCU may be authorized to make a donation to

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the group. NCUA Interpretive Ruling and Policy Statement
79-6 (copy enclosed) sets forth information on FCU donations
and contributions.

Sincerely,



Hattie M. Ulan
Associate General Counsel
Office of General Counsel

Enclosure

GC/HMU:sg
SSIC 4650
90-0501

TITLE 12 - BANKS AND BANKING

CHAPTER VII - NATIONAL CREDIT UNION
ADMINISTRATION

Interpretive Ruling - Donations/Contributions

AGENCY: National Credit Union Administration

ACTION: Interpretation of General Applicability

SUMMARY: This statement sets forth the National Credit Union Administration's interpretation of the incidental power a Federal credit union possesses to make donations. The Administration interprets the incidental powers clause of the Federal Credit Union Act (§107(15)) to permit a Federal credit union to make reasonable donations to tax exempt organizations under Section 501(c)(3) of the Internal Revenue Code. This interpretation should result in an increase in community funds that are used for diverse charitable and educational needs of the public.

EFFECTIVE DATE: This statement will become effective immediately upon publication.

ADDRESS: National Credit Union Administration, 2025 M Street, N.W., Washington, D.C., 20456.

FOR FURTHER INFORMATION CONTACT: Edward J. Dobranski, Senior Attorney, Office of General Counsel, National Credit Union Administration, at the above address. Phone (202) 632-4870.

SUPPLEMENTARY INFORMATION: The Administration is frequently asked whether

Federal credit unions (FCU's) may make contributions or donate funds to various organizations. In the past, the Administration held that an FCU may donate its funds only if the FCU would derive a direct benefit from such donation or contribution.

The Administration, in accord with an increasing number of jurisdictions, realizes that a cooperative (e.g., a FCU), like a corporation for profit, has an obligation to contribute its fair share toward community funds that are used for diverse charitable, recreational, and educational needs of the public. The Administration views donations meeting this obligation as an activity incidental to a FCU's business within the scope of powers set forth in Section 107(15) of the Federal Credit Union Act. Consequently, FCU's may make contributions to community organizations that are exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code.

Finally, FCU's should be aware of the following: that contributions, either direct or indirect, to candidates for a trade association or credit union league office do not fall within the scope of this interpretation; that FCU contributions and expenditures in connection with any election to any political office are prohibited by the Federal Election Campaign Act (2 U.S.C. 441b); that Article XIX, Section 4 of the Federal Credit Union Bylaws, concerning conflicts of interest by officials and employees of an FCU, is applicable to the activities covered by this interpretation; and that, pursuant to Article VIII, Section 8 of the Federal Credit Union Bylaws, the minutes of the board of directors meeting at which any donation

is authorized shall reflect both the amount and the recipient of such donation.

INTERPRETATION

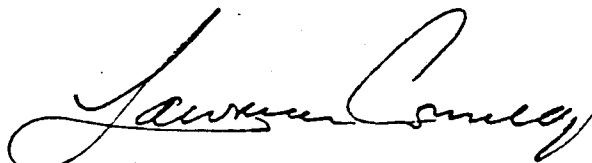
(IRPS No. 79-6)

A Federal credit union (FCU) may make contributions or donate funds to:

(1) An organization that is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code, if such organization is located or conducts its activities in the community in which the FCU has a principal place of business;

(2) An organization that is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code, if such organization operates primarily to promote and develop credit unions (including FCU's).

Any such contribution or donation must be approved by the FCU's board of directors, in such sum as the board deems to be in the best interest of the FCU, provided that such sum is sound given the financial condition of the FCU.



LAWRENCE CONNELL
Chairman

September 21, 1979

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Finally, FCUs should be aware of the following: that contributions, either direct or indirect, to candidates for a trade association or credit union league office do not fall within the scope of this interpretation; that FCU contributions and expenditures in connection with any election to any political office are prohibited by the Federal Election Campaign Act (2 U.S.C. 441b); that Article XIX, Section 4 of the Federal Credit Union Bylaws, concerning conflicts of interest by officials and employees of an FCU, is applicable to the activities covered by this interpretation; and that, pursuant to Article VIII, Section 8 of the Federal Credit Union Bylaws, the minutes of the board of directors meeting at which any donation is authorized shall reflect both the amount and the recipient of such donation.

Interpretation

[IRPS No. 79-8]

A Federal credit union (FCU) may make contributions or donate funds to:

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FCU, provided that such sum is sound given the financial condition of the FCU.

Lawrence Connell,

Chairman.

September 21, 1979.

[FR Doc. 79-30401 Filed 10-1-79; 2:45 am]

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NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Chapter VII

Interpretive Ruling—Donations/ Contributions

AGENCY: National Credit Union Administration.

ACTION: Interpretation of General Applicability.

SUMMARY: This statement sets forth the National Credit Union Administration's interpretation of the incidental power a Federal credit union possesses to make donations. The Administration interprets the incidental powers clause of the Federal Credit Union Act (§ 107(15)) to permit a Federal credit union to make reasonable donations to tax exempt organizations under Section 501(c)(3) of the Internal Revenue Code. This interpretation should result in an increase in community funds that are used for diverse charitable and educational needs of the public.

EFFECTIVE DATE: October 2, 1979.

ADDRESS: National Credit Union Administration, 2025 M Street, N.W., Washington, D.C., 20456.

FOR FURTHER INFORMATION CONTACT: Edward J. Dobranski, Senior Attorney, Office of General Counsel, National Credit Union Administration, at the above address. Phone (202) 632-4870.

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