



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

June 7, 1990

Carol L. Fossee, Esq.
Zweig and Lane, P.C.
3000 Town Center, Suite 2200
Southfield, Michigan 48075

Re: Most Favored Lenders (Your March 21, 1990,
Letter)

Dear Ms. Fossee:

You have asked whether a state-chartered, federally insured credit union ("FISCU") may charge the same rate of interest as a national bank or a federal credit union doing business in the state, under the "most favored lender" provision of the Federal Credit Union ("FCU") Act. Although we previously answered your question, we will clarify that the answer is no.

You have stated in your letter that "a state may independently apply 'most favored lender' status to all financial institutions doing business in the state, regardless of the source of authority under which the institution was created." This is not our understanding. Although some states may allow a state-chartered financial institution to use our usury rate, the authority for that action would not be the "most favored lender" provision of the FCU Act. This may be the source of your confusion. As we stated previously, FISCUs may charge interest at either the 1 per centum in excess of the discount rate on ninety-day commercial paper or the rate allowed for any other lender under state law, if either exceeds the rate allowed to be charged under the applicable state law. (See Section 205(g) of the FCU Act, 12 U.S.C. 1785(g).) This does not mean that a FISCU may adopt the interest rate of institutions authorized by federal law (i.e., for federal credit unions) under the "most favored lender" provision of the FCU Act. The "rate allowed for any other lender under state law" pursuant to Section 205(g) refers to the state usury ceiling for lenders in the state subject to it (e.g., national banks operating in the state).

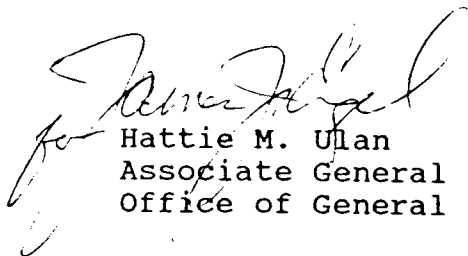
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For your information, our opinion letters are generated in response to inquiries from the general public and are put into Freedom of Information Act files which can be accessed by any member of the public.

Sincerely,



Hattie M. Ulan
Associate General Counsel
Office of General Counsel

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