



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

June 30, 1991

Kevin D. Hammar
Lynch, Printz, Aldridge & Grammer, P.A.
1717 Louisiana Blvd, N.E. Suite 103
Albuquerque, NM 87110

Re: Terminating Services to Members
(Your April 22, 1991, Letter)

Dear Mr. Hammar:

Your letter to Patricia Slye has been referred to the Office of General Counsel for a response. You have asked whether a credit union may deny services to a member who has defaulted on a loan and, in addition, to a member who has not yet defaulted but has become delinquent on an account. Please note that our response applies only to federal credit unions (FCUs).

In general, an FCU member has two fundamental rights which cannot be taken away or limited without a formal expulsion under Section 118 of the FCU Act, 12 U.S.C. §1764. Those rights are: (1) to vote in all elections; and (2) to hold a share account in the FCU. We have stated, however, that an FCU may suspend other services to a member who has defaulted on a loan. (See Letter to Darren Crosset, enclosed.) We have also stated generally that an FCU may suspend services to a member provided there is a rational basis for doing so. (See Letter to Frank Berrish, enclosed.) If an FCU could articulate a rational basis for doing so, it could suspend services (except for the right to vote and the right to hold a share account) to a member who is delinquent on an account but has not yet defaulted.

Sincerely,

James J. Engel
Deputy General Counsel

Enclosures
GC/LH:sg
SSIC 3601
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