



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

December 17, 1991

Cheryl Lancaster
Maine Credit Union League
P.O. Box 1236
Portland, Maine 04104

Re: Prohibiting Loans to Employees and Directors
(Your November 21, 1991, Letter)

Dear Ms. Lancaster:

You have asked whether a federal credit union (FCU) can adopt a policy of prohibiting loans to all FCU employees, board members and volunteers. Nothing in the FCU Act or NCUA's Rules and Regulations prohibits an FCU from adopting such a policy.

The FCU Act and NCUA's Rules and Regulations give an FCU wide latitude in establishing nondiscriminatory loan policies. The FCU Act grants all FCU members only two basic rights: the right to maintain a share account, and the right to vote at annual and special meetings. However, nothing in the FCU Act or NCUA Regulations precludes an FCU from restricting the availability of certain services, provided that there is a rational basis for doing so. We assume the basis for adopting such a policy is to prevent the appearance of any impropriety or preferential treatment concerning FCU volunteers, directors, and employees. Although current NCUA Regulations prohibit certain conflicts and preferential treatment in lending to officials (see 12 C.F.R. 701.21(c)(8) and 701.21(d)(5)), they do not prohibit an FCU from adopting a more restrictive policy. We note, however, that such a policy may make it difficult for an FCU to attract

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volunteers. In addition, we do not render an opinion on the applicability of any other federal or state antidiscrimination laws.

Sincerely,



Hattie M. Ulan
Associate General Counsel

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