



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

April 24, 1992

X

Arnold C. Paulson
President
North Dakota Credit Union League
P.O. Box 7250
Bismarck, ND 58507-7250

Re: **Substantial Equivalency Application**
(Your Letter of April 14, 1992)

Dear Mr. Paulson:

Chairman Jepsen requested that I respond to your letter. By a letter dated April 16, 1992, Gary D. Preszler, Commissioner of the North Dakota Department of Banking and Financial Institutions, requested that North Dakota's proposed regulation be presented to the NCUA Board for a substantial equivalency determination. This matter has been referred to John Ruffin, Region V Director, to prepare for the June 23, 1992, NCUA Open Board Meeting in Washington, DC. If you have any further questions or comments regarding the application, we suggest you contact Region V.

Sincerely,

Hattie M. Ulan
Associate General Counsel

cc: Chairman Jepsen
John Ruffin, Region V Director

GC/MEC:sg
SSIC 4650
91-1207a

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NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

April 23, 1990

Office of General Counsel

Mr. Carl E. Rancourt
34 Royal Crest Drive
Apt. #9
No. Andover, MA 01845

Re: ~~Discounted Loan Rates for Directors~~ (Your
March 1, 1990, Letter)

Dear Mr. Rancourt:

~~You have asked whether a director, who is also an employee of a
federal credit union (FCU), may receive a discounted loan rate
if all other employees of the FCU are receiving such a discount.
The answer is no.~~

ANALYSIS

Section 701.21(d)(5) of NCUA's Rules and Regulations (12 C.F.R. 701.21(d)(5)) prohibits the granting of preferential loans to FCU officials. Section 701.21(d)(2) defines an official as a member of the board of directors, credit committee, or supervisory committee.

A literal reading of Section 701.21(d)(5) prohibits preferential loans to FCU officials, regardless of whether they are also FCU employees. Moreover, we believe that the effectiveness of the regulation in limiting insider dealing would be inhibited by an interpretation allowing officials who are also FCU employees to receive preferential loans as part of their employee compensation

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package. Section 701.21(d)(5) also prohibits immediate family members of FCU officials from receiving loans at a discounted rate.

Sincerely,

Hattie M. Ulan

Hattie M. Ulan
Associate General Counsel

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