

Opinion 96-14 (Redacted version)

October 8, 1996

“A”

Subject: Loans to credit union employees and officials; Opinion no. 96-14

Dear :

You have inquired whether a federally-insured, Washington State-chartered credit union (FIWCU), such as “A”, may make loans on favorable terms to its employees. By “favorable terms,” I understand you to mean more favorable rates, terms, or conditions than are available on loans to members generally.

My conclusion is that a FIWCU may make loans on favorable terms to its employees, as long as they are not officials of the credit union or certain related parties of an official, as explained in more detail below.

1. Restrictions on FIWCU loans to officials and related parties

A FIWCU may not make a loan on favorable terms to, or a loan on favorable terms endorsed or guaranteed by, any of its officials, their immediate family members, and their business associates. For purposes of this letter, the definitions of the key terms here are as follows:

A. “Loan” includes loans and lines of credit.

B. An “official” of the credit union includes

1. Any director, and
2. Any member of the credit committee or supervisory committee.

C. An “immediate family member” includes

1. The spouse of an official, and
2. Any family member of an official living in the same household.

D. A “business associate” includes any individual having a common ownership, investment, or other pecuniary interest in a business enterprise with an official or with an immediate family member of an official.

See RCW 31.12.365; NCUA Rules at Sections 741.203(a), 701.21(d)(5). If an individual who is a credit union employee is also an official, or an immediate family member or business associate of an official, the credit union may not make a loan to the individual on favorable terms.

2. Restrictions on loans by WCUSGA credit unions to officials and related parties

A more limited set of restrictions apply to loans to officials and related parties by Washington State-chartered credit unions whose shares and deposits are guaranteed by the Washington Credit Union Share Guaranty Association (“WCUSGA”). WCUSGA-guaranteed credit unions may not make loans on favorable terms to their officials. RCW 31.12.365. The other restrictions noted in item 1 above do not apply, because WCUSGA-guaranteed credit unions are not subject to NCUA Rules.

Please don't hesitate to contact me if you have any questions about this issue.

Sincerely,

J. Parker Cann
Assistant Director