

TO:

FROM: Associate General Counsel Sheila Albin

SUBJ: Nonstandard Bylaw Amendment: [] FCU

DATE: July 19, 2005

You requested our concurrence with your inclination to approve [] FCU's proposed amendment to Article VI, Section 6(h) of its bylaws regarding the composition of its loan review committee. The proposed amendment would: (a) increase the number of committee members from three to five; (b) specify that the members will be the President/CEO, the Vice-President of Lending and three members of the Board; and (c) increase the term of the loan review committee members from two to three years. We agree that the proposed amendment is permissible.

The Federal Credit Union bylaws permit FCUs to establish a mid-level loan review committee to review denied loans. FCU bylaws, Art. VI, §6(h). The purpose of the loan review committee is to provide another level of review for borrowers that have been denied initially. In your request, you note that [] believes that expanding the size of the loan review committee and lengthening the term of its members will enable it to act on larger and/or specialized loans. As required, the credit union is retaining the language of the bylaw that provides for a review by the entire board of directors if a prospective borrower makes a written request.

We note that the proposed amendment deletes the standard bylaw language that permits only one loan officer to serve as a member of the loan review committee. Because the proposed amendment names the position of each member of the committee and only one member, the Vice-President of Lending, functions as part of the credit union's lending department, the credit union will comply with this restriction on loan officer service without explicitly including it in the bylaws.

We have no legal objections to the proposed amendment and defer to your judgment about any safety and soundness implications.