

March 20, 1993

Joseph A. Barreca
General Counsel
Louisiana Credit Union League
Suite 200
824 Elmwood Park Blvd.
Harahan, LA 70123

Re: Exemption from the Member Business Loan Rule (Your March 9, 1993, Letter)

Dear Mr. Barreca:

You have asked whether a loan to a member to purchase a school bus which is guaranteed by the local school board is exempt from the member business loan rule. Section 701.21(h)(1)(i)(D) of NCUA's Regulations (12 C.F.R. ~701.21(h)(1)(i)(D)) exempts from the definition of a member business loan those loans that are fully guaranteed by a state or any of its political subdivisions.

ANALYSIS

The Lafayette Parish School Board ("School Board") is a political subdivision of the State of Louisiana. The School Board employs bus drivers who are each required to purchase a bus as a condition of employment. A credit union is considering granting bus drivers loans that would be guaranteed by the School Board to purchase buses. We assume the proposed loans are in excess of \$25,000.

Section 701.21(h)(1)(i) of NCUA's Regulations defines a member business loan in part as:

any loan, line of credit, or letter of credit, the proceeds of which will be used for a commercial, corporate, business, investment property or venture, or agricultural purpose, except that the following shall not be considered member business loans for the purpose of this section: . . . (D) A loan the repayment of which is fully insured or fully guaranteed by, or where there is an advance commitment to purchase in full by, any agency of the federal government or of a state or any of its political subdivisions.

Since the proposed school bus loans are guaranteed by a political subdivision of Louisiana they fall within the above exemption, although such loans are subject to the record-keeping requirements of Section 701.21(h)(5).

Sincerely,

Hattie M. Ulan
Associate General Counsel

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