

August 12, 1993

Charles Pollack
Hotz & Associates, P.C.
Suite 200
1979 Lakeside Parkway
Tucker, Georgia 30084

Re: Necessity for Signed Loan Applications (Your July 6, 1993, Letter)

Dear Mr. Pollack:

You have asked whether it is necessary for a member to sign the completed loan application. Certain credit unions wish to accept telephone loan applications for both secured and unsecured loans which do not involve the credit union receiving a security interest on real property. There is no requirement in the Federal Credit Union Act or NCUA's Regulation that a completed loan application be signed by the member. As you state in your letter, NCUA's Regulations only require that the board of directors, the credit committee or loan officer ensure that a credit application is kept on file for each borrower supporting the decision to make the loan or line of credit. We would recommend, however, that if the loan is approved, the member confirm the correctness of the information on the application at the time the promissory note is signed. (It is a federal crime to knowingly provide false information on a credit application. 18 U.S.C. ~1040. Confirmation will protect both the member and the credit union.)

As you note in your letter, if the loan is approved, the member will be required to sign a promissory note and, if applicable, a security agreement. If the loan is not

approved, notice of the same will be given in accordance with the applicable Federal Reserve Board regulations. Furthermore, the board of directors should establish a written policy permitting the telephone application procedure.

Sincerely,

James Engel
Deputy General Counsel

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SSIC 3501
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