

March 6, 1995

Bohdan Wenglowczyk  
Gough, Skipworth, Summers, Eves & Trevett, P.C.  
700 Reynolds Arcade  
16 East Main Street  
Rochester, New York 14614-1803

Re: Lending to Churches (Your February 15, 1995, Letter)

Dear Mr. Wenglowczyk:

You have asked whether it is permissible for a federal credit union (FCU) to grant a loan to a not-for-profit organization such as a church. This type of loan is permissible if the church is a member of the FCU. A loan to a church is considered a business loan and must meet the requirements set forth in Section 701.21(h) of NCUA's Regulations. Furthermore, the Standard FCU Bylaws limits loans to a nonnatural person such as a church to its shareholdings in the FCU. We recommend that the FCU consider adopting the standard bylaw amendment to Article XII, Section 1 which permits loans to other than natural persons in excess of their shareholdings.

Please let me know if you need additional assistance.

Sincerely,

Richard S. Schulman  
Associate General Counsel

GC/MJMcK:bhs  
SSIC 3501  
95-0227