

January 23, 1996

Tom Grantham, Vice President
Nebraska Credit Union League & Affiliates
P.O. Box 3727
Omaha, NE 68103-0727

Re: Leasing (Your Letter of December 13, 1995)

Dear Mr. Grantham:

You have asked whether a credit union may lease automobiles to a sheriff's department. You state that all of the employees of the department belong to the credit union but that the department itself is not a member. Since a federal credit union (FCU) may lease property only to members, it may not lease property to a non member sheriff's department. A state-chartered credit union's authority to lease property to a non member is determined by state law. Membership of the department's employees in the FCU is immaterial. If the department became a member of the FCU, the FCU could lease property to the department. Since the lease would be for a business purpose, however, it would be governed by the member business loan rule at Section 701.21(h) of the National Credit Union Administration Rules and Regulations regardless of whether the credit union is federal or state-chartered. The enclosed letter dated November 6, 1987, from Steven Bisker to Kenneth Kosut, provides additional information on this issue.

You have also asked about a credit union leasing automobiles to its sponsor. In order for an FCU to lease property to its sponsor, the sponsor would have to be a member. The member business loan rule would apply to any such lease.

Sincerely,

Richard S. Schulman
Associate General Counsel

Enclosure
GC/LH/RSS:sg
SSIC 4600
95-1222