

04 NCAC 06C .0205 LOANS TO CREDIT UNION OFFICIALS

(a) Officials. For purposes of this Rule, an "official" is a member of the board of directors, credit committee, or supervisory committee.

(b) Loans to Officials. A loan or line of credit, including limits of credit cards, extended to an official as the borrower, direct obligor, endorser, cosigner, or guarantor, with direct or indirect pecuniary interest in the loan shall be reviewed by the board of directors, at the next regular meeting following the date of such extension of credit, provided the following computation produces a total amount in excess of fifty thousand dollars (\$50,000):

- (1) Add:
 - (A) the loan amount extended for the loan subject to review;
 - (B) the outstanding balances of loans, including the used portion of an approved line of credit, extended to or endorsed, cosigned or guaranteed by the official; and
 - (C) the total unused portion of approved lines of credit extended to or endorsed, cosigned, or guaranteed by the official.
- (2) Subtract from the above total:
 - (A) the amount of shares pledged by the official on loans or lines of credit extended to, or endorsed, cosigned, or guaranteed by the official; and
 - (B) the amount of shares pledged by the official on the current loan or line of credit.

(c) Review of Loans to Officials by Duly Appointed Committee. The board of directors may also appoint a committee to review and report on loans made to officials. All members of the committee shall be on the board of directors. The committee shall meet before the regular monthly board meeting to review all officials' loans that have been approved since the previous meeting. The committee shall make a report to the board that shall consist of the official's loan number, his or her title or position, the amount of the loan, purpose of the loan, aggregate amount of indebtedness to the credit union, and a statement regarding compliance with loan policies. Each credit union's board of directors shall review this loan approval report on a monthly basis. This review shall be done at the regular monthly board meeting. In the event the board does not meet monthly, the manager of the credit union or their designee shall send a written report to each director on a monthly basis.

(d) Non-preferential treatment. The rates, terms, and conditions on a loan or line of credit made to or endorsed, co-signed, or guaranteed by:

- (1) an official;
- (2) an immediate family member of an official. For the purpose of this Rule, "immediate family member" means immediate blood relatives and members attained by marriage, spouses, biological children, adopted children, step-children, and domestic partners. For the purpose of this Rule, "domestic partners" means non-marital relationship between two adults that live together; or
- (3) any individual having a common ownership, investments, or other pecuniary interest in a business enterprise with an official or with an immediate family member of an official;

shall not be more favorable than the rates, terms and conditions for comparable loans or lines of credit extended to other credit union members.

(e) Indirect Benefits.

- (1) No official or employee shall have any interest in nor derive any benefit from the extension of credit, or the sale of credit union real or personal property, unless and until the terms of the loan or sale have been disclosed to and approved by the Board of Directors by a two-thirds vote.
- (2) The purchase by a director or employee from the credit union of any savings account or evidence of indebtedness for less than face value is prohibited.

(g) Penalty. A violation of the provisions of this Rule shall be sufficient basis for removal of any official or employee by the Administrator, as set forth in G.S. 54-109.19.

*History Note: Authority G.S. 54-109.12; 54-109.19; 54-109.35; 54-109.39;
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