

April 18, 2006

Ms. Ellen N. Ford
President & Chief Executive Officer
People's Credit Union
858 West Main Street
Middletown, RI 02842-6398

Re: Preferential Loan Rates to Employees under 12 C.F.R. §701.21(d)(5).

Dear Ms. Ford:

You have asked if a paid employee, who also serves as a volunteer credit committee member, can receive a loan rate reduction offered by the credit union to all employees. No, a credit union cannot offer preferential loan rates to any of its officials.

You have described a hypothetical situation in which a credit union reduces its loan rate reduction by one percent on consumer and mortgage loans to all employees who have been with the credit union one year or more. Employee X, a full time employee and officer for more than one year, serves as a member of the credit committee. Employee X receives no compensation for serving on the credit committee.

Credit union employees may receive reduced loan rates, but the rates for officials must not be more favorable than comparable loan rates to other credit union members. 12 C.F.R. §701.21(d)(5). Officials include any member of the board of directors, credit committee, or supervisory committee. 12 C.F.R. §701.21(d)(2). The rule prohibits preferential treatment of officials regardless of whether they are employees or receive compensation. The rule intends to limit insider dealing and would not be effective if employee-officials could receive preferential loan rates as a part of their employee compensation.

If you have any further questions, please feel free to contact Staff Attorney Tonya Green or me at (703) 518-6540.

Sincerely,

/S/

Sheila A. Albin
Associate General Counsel

OGC/MIG:bhs
06-0343