



**THE ATTORNEY GENERAL
OF TEXAS**

AUSTIN 11, TEXAS

**JOHN BEN SHEPPERD
ATTORNEY GENERAL**

December 31, 1953

Hon. H. L. Bengtson
Deputy Commissioner
Department of Banking
Austin 4, Texas

Letter Opinion No. MS-113
Re: Investment of funds of
State chartered credit
unions in obligations
secured by real estate.

Dear Mr. Bengtson:

You have asked substantially the following question:

Can a State chartered credit union make an investment of union funds by making and processing a direct loan as an investment on an obligation secured by real estate to an individual who is not a member of the credit union?

Article 2462, Vernon's Civil Statutes, entitled "Loans and investments," enumerates the types of loans and investments a credit union may make. It states in part:

". . . It may lend money to its members within the limits and subject to the restrictions provided by law, provided that ten per cent (10%) per annum be the maximum rate of interest on loans and such rate of interest shall include all charges of any nature. In the discretion of the board of directors, it may invest its surplus and accumulated funds in the obligations of the United States of America, of the State of Texas, or any political subdivision thereof, provided such subdivision has not, within the preceding five (5) years defaulted in the payment of any principal or interest on the obligations or class of obligations in which such investment is made. A credit union may also invest such surplus and accumulated funds in shares of stock, insured by the Federal Saving & Loan Insurance Corporation, which are issued by a building and loan association, or savings and loan association, domiciled in the State; and it may make loans to other State and Federal credit unions domiciled in this State, provided that such investments in shares of building and loan associations or savings and loan associations and

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loans to other credit unions shall never aggregate more than twenty-five per cent (25%) of the capital and surplus of such credit union making such investments and loans."

Section 2 of Article 2477, V.C.S., entitled "Conditions of loans," states in part:

"Sec. 2. No State credit union shall make a loan upon security of real estate or invest its funds in obligations secured by real estate unless, . . ."

Following this portion of Section 2, numerous detailed conditions are set out which must be followed in making a transaction of this type.

Section 2 of Article 2477 does not provide for a new type of loan or investment but restricts and provides more details for certain loans and investments authorized under Article 2462, and is supplemental to said Article.

It is therefore our opinion that a State chartered credit union may make only the types of investments enumerated in Article 2462, V.C.S., and cannot make and process a direct loan as an investment to an individual who is not a member of the union on an obligation secured by real estate.

Yours very truly,

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By
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Assistant

SCR:wb