

Is it Permitted to Borrow Money From a Credit Union?

Rav Shmuel Honigwachs

Question: A few years ago, there was a big tumult about taking loans from credit unions. Is this a problem?

Answer: Several years ago, a letter was signed by a number of Poskim—including Rav Dovid Feinstein zt”l, Rav Shmuel Kamenetsky, and Rav Shlomo Miller—stating that it is preferable to not take loans from credit unions.

While the language of the letter was pretty strong, I personally spoke over the matter with Rav Shlomo Miller and he said it is not a clear *issur*; therefore if one finds himself in a tight spot and is pressed to take a loan from a credit union, he may do so if the majority of shareowners are not Jewish.

Question: What is the issue with credit unions?

Answer: The common practice is to take loans with interest from banks even when there is a small percentage of Jewish shareholders. According to some Poskim, however, credit unions are more problematic than banks. There are a number of explanations as to why credit unions are worse. There are differing views in the Poskim regarding corporate ownerships in general. Some say that corporate ownership does not constitute true ownership. Even if a Jew has stakes in the corporation, these Poskim maintain that he is not considered a real owner. Since a corporation has no real owner, they rule that there is no problem of *ribbis*.

Rav Moshe Feinstein makes the case that the only true owners are shareholders who have an actual say in the running of the company. Those that own only a minute amount of the company do not have any real power to make decisions, and, therefore, they are considered insignificant and are not true owners. Accordingly, it would only be a problem of *ribbis* if a corporation has Jewish shareholders who [collectively] have large stakes in the corporation.

The Minchas Yitzchok disagrees with Rav Moshe and rules that every shareholder in a corporation is considered an owner and, therefore, it is forbidden to borrow from any corporation with even a small amount of Jewish ownership.

Rav Shlomo Miller explains the leniency to borrow from a corporation where Jews only own a minority stake in a different way. He suggests that a corporation is fundamentally different from a standard partnership. In a partnership, each partner simply owns a certain percentage of the business, with both partners being direct owners. In a corporation, however, the actual ownership is the entity known as “the corporation.” The shareholders only own the company indirectly through their stakes in the corporation.

Rav Shlomo suggests that even if one would hold that money does not become *batul b’rov* in a regular partnership, it would become *batul b’rov* in a corporation because a corporation is its own entity with its own identity. If the majority of shareholders are non-Jews, its identity is that it is a non-Jewish corporation, and the Jewish shareholders become nullified since they

do not represent the identity of the corporation and are only indirect partners.

According to this idea, we can also understand why credit unions are more problematic than banks. Unlike corporations, it seems from our research that credit unions are directly owned by the shareholders, which would mean that *bitul b'rov* in this manner would not apply.