



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

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October 30, 1984

Murray L. Simpson, Esq.
Simpson, Fair & Rinaldo
Suite 1010
Five Palo Alto Square
Palo Alto, CA 94306

Dear Mr. Simpson:

This is in response to your letter of October 4, 1984, to Hattie Ulan of this Office concerning the permissibility of Federal credit union (FCU) investment in the Pilgrim GNMA Fund (Fund), Prospectus dated August 15, 1984.

As you know, sections 107(7) and (8) of the Federal Credit Union Act (12 U.S.C. §§1757(7) and (8)) and Part 703 of the NCUA Rules and Regulations (12 C.F.R. Part 703) are the pertinent provisions of Federal law regulating FCU investments and deposits. Although not expressly stated in these provisions, we have previously opined that investments in mutual funds or trusts are legal for FCU's if all of the investments of the fund or trust are legal investments if made directly by an FCU.

According to the Prospectus, the Fund invests exclusively in GNMA's and other fully guaranteed United States government securities. These investments are expressly authorized for FCU's by §§107(7)(B), (E) of the FCU Act (12 U.S.C. §§1757(B), (E)).

The Prospectus also indicates that the Fund is involved in repurchase transactions. Pursuant to sections 703.2(1), 703.2(n) and 703.3(d) of the NCUA Regulations, 12 C.F.R. §§703.2(1), 703.2(n) and 703.3(d), FCU's are limited to certain types of repurchase transactions. It appears that the requirements for the "investment type" repurchase transactions are met by the Fund.

The Fund also engages in delayed delivery transactions. Sections 703.2(d) and 703.3(b) of the Rules and Regulations are applicable to these transactions. Again, it appears the Fund has met these regulatory provisions.

Lastly, the Fund is involved in lending portfolio securities principally to broker-dealers. This activity would not affect the legality of FCU investment in the Fund.

In light of the above, it is the opinion of this Office that the Pilgrim GNMA Fund, as described in the Prospectus, is a legal investment for FCU's. This should not be interpreted or



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represented as NCUA's endorsement, recommendation, or approval of the Pilgrim GNMA Fund. It is merely our opinion that the investment is legal for FCU's. Any communication with Federal credit unions concerning our opinion must clearly state this distinction.

We hope that we have been of assistance.

Sincerely,

STEVEN R. BISKER
Assistant General Counsel