



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

LS/HMU:cch

4660

AUG 23 1985

Julie R. Hauptman, Esq.  
Brown, Wood, Ivey, Mitchell & Petty  
One World Trade Center  
New York, NY 10048

Dear Ms. Hauptman:

This is in response to your letter of July 29, 1985, and your telephone conversations with Hattie Ulan and me concerning Federal credit union (FCU) investment in mortgage-backed securities.

As noted in your letter, it is the NCUA Board's position that Section 107(15)(B) of the FCU Act, 12 U.S.C. §1757(15)(B), which authorizes FCU's to invest in mortgage-backed securities, will not become effective until implementing regulations are promulgated. Such regulations have not yet been promulgated.

We appreciate your sending us a copy of the Prospectus Supplement for American Southwest Finance Co. Mortgage Collateralized Bonds (dated February 21, 1985) (Bonds). Investment in the Bonds is currently not permissible for FCU's. A determination of whether FCU investment in the Bonds is permissible cannot be made until a regulation is promulgated. NCUA's Regional Office in Washington is aware that at least one FCU has invested in the Bonds. They will make a determination as to whether divestiture should take place.

We hope that we have been assistance. Thank you for your continued cooperation in this matter.

Sincerely,

STEVEN R. BISKER  
Assistant General Counsel

cc: RD, Region II (Capital)

FOIA file: Vol. I, E, 5. - Impermissible Investment