



NATIONAL CREDIT UNION ADMINISTRATION

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WASHINGTON, D.C. 20456

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September 11, 1985

Mr. Theodore Daniels
Director, Fiscal Management and
Occupancy Division
U.S. Department of Housing and Urban
Development
Washington, D.C. 20410

Dear Mr. Daniels:

This responds to your letter dated June 3, 1985, to Mr. Robert Fenner of this Office concerning the collateralization of HUD-PHA deposits.

In your letter you request that Federal credit unions, as depositories of PHA monies, collateralize all PHA deposits which exceed the \$100,000 NCUSIF insurance limit, thereby fully insuring all PHA deposits. Unfortunately, FCU's have only limited authority to pledge their assets. In fact, there are only two circumstances under which FCU's are authorized to pledge their assets.

First, FCU's have the authority to pledge their assets where required to by the Secretary of the Treasury, in connection with the credit union performing certain services as a fiscal agent of the United States. See, Section 121 of the FCU Act (12 U.S.C. §1767) and Section 701.37-2(b)(5) of the NCUA Rules and Regulations (12 C.F.R. §701.37-2(b)(5)). You may wish to review Section 701.37 of our Regulations and the provisions of the Department of Treasury Regulations referenced therein (31 C.F.R. 202) to consider whether HUD-PHA deposits could qualify to receive collateral under this authority. We would be happy to consider your analysis of this issue.

Second, FCU's may pledge their assets pursuant to Section 107(13) of the FCU Act (12 U.S.C. §1757(13)) and Section 701.21-8(d) of the NCUA Rules and Regulations (12 C.F.R. §701.21-8(d)), which expressly authorize FCU's to pledge eligible obligations of their members to any source. "Eligible obligations" is defined in Section 701.21-8(a)(1) to mean a loan or group of loans.

In conclusion, although an FCU can pledge loans of its members as collateral for shares (deposits), no express authority exists for the pledge of other assets (e.g., securities) for such purpose except for the purpose of receiving public monies of the United States.

(Second page merely signature of
Steven Bisker, Assistant General Counsel)