



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

GC/YG:och
8000
1/14/86

OFFICE OF GENERAL COUNSEL

Leianne S. Crittenden, Esq.
Sears Mortgage Securities Corporation
601 Montgomery Street
San Francisco, CA 94111

Dear Ms. Crittenden:

This responds to your letter dated December 5, 1985, to Ms. Yvonne Gilmore of this Office concerning the insurance coverage of custodial accounts held by the Federal credit union (FCU) as trustee for loans sold to Sears Mortgage Securities Corporation (SMSC).

Pursuant to Section 745.3(d) of the NCUA Rules and Regulations, loan payments received by an FCU prior to remittance to other parties to whom the loan was sold (in this case, SMSC) are considered to be funds owned by the borrower and are added to any individual accounts of the borrower and insured up to \$100,000 in the aggregate.

Similarly, funds received from the borrower for the payment of taxes and insurance on mortgage loans sold to SMSC are considered to be funds owned by the borrower. Although the FCU may set up separate custodial accounts for these funds, for insurance purposes they are added to the mortgage payments and any individual accounts of the borrower and insured up to \$100,000 in the aggregate under Section 745.3(d).

I hope we have been of assistance. Please contact Ms. Gilmore if you have further questions.

Sincerely,

STEVEN R. BISKER
Assistant General Counsel

YG:cch

FOIA Vol IV Part C