



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

NC/YJ: [unclear]
4660
2/25/86

Office of General Counsel

Mr. Warren P. Scholl
General Manager
Capitol Region Federal Credit Union
50 South Main Street
West Hartford, CT 06107

Dear Mr. Scholl:

This is in reply to your letter of January 13, 1986, to this Office concerning the permissibility of Federal credit union (FCU) investment in the Kemper U.S. Government Securities Fund (the Fund), Prospectus dated February 1, 1985.

Prior to February 1 of this year, the Fund was reviewed at least twice by this Office. (Copies of opinions enclosed.) You will note that both times the Fund was deemed to be an impermissible investment for FCU's. A review of the Prospectus you submitted to us results in the same conclusion, for the same reasons.

However, Kemper Financial Services, Inc. (KFS) has recently submitted a revised Prospectus, dated February 1, 1986. In light of changes made in the revised Prospectus we are now able to opine that the Fund is permissible for FCU investment. (See enclosed copy of letter to KFS.) Therefore, your investment in Kemper U.S. Government Securities is now legal, although it was not a legal investment for FCU's at the time it was made.

This opinion should not be interpreted or represented as NCUA's endorsement, recommendation, or approval of the Fund. It is merely our opinion that the Fund is legal for FCU investment.

I hope we have been of assistance.

Sincerely,

(S)

STEVEN R. BISKER
Assistant General Counsel

Enclosures

YG:cch

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NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

Office of General Counsel

Edward J. Wiles, Jr., Esq.
Vice President and Associate Counsel
Kemper Financial Services, Inc.
120 South LaSalle Street
Chicago, IL 60603

Dear Mr. Wiles:

This responds to your letter dated January 30, 1986, concerning the Kemper U.S. Government Securities Fund (the Fund), revised Prospectus dated February 1, 1986.

We have reviewed the changes in your new Prospectus and find that the changes made satisfy the previous concerns expressed to you in our July 11, and October 2, 1984, letters.

In light of the above, we can now opine that the above trusts are legal investments for FCU's. This should not, however, be interpreted or represented as NCUA's endorsement, recommendation, or approval of the Kemper U.S. Government Securities Fund. It is merely our opinion that the Fund is legal for FCU's. Any communication with Federal credit unions concerning our opinion must clearly state this distinction.

I hope we have been of assistance.

Sincerely,

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STEVEN R. BISKER
Assistant General Counsel

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NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

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July 11, 1984

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KFS LEGAL DEPT.

Edward J. Wiles, Jr., Esq.
Vice President and Associate Counsel
Kemper Financial Services, Inc.
120 South LaSalle Street
Chicago, IL 60603

Dear Mr. Wiles:

This is in response to your letter of June 1, 1984, to Hattie Ulan of this Office concerning the permissibility of Federal credit union ("FCU") investment in the Kemper Government Securities Trust-GNMA Portfolio Series 2, Prospectus dated March 6, 1984, ("Kemper Trust") and in the Kemper U.S. Government Securities Fund, Inc., Prospectus dated February 1, 1984 ("Kemper Fund").

Section 107(7)(E) of the FCU Act, 12 U.S.C. §1757(7)(E) provides that an instrument fully guaranteed as to principal and interest by the Government National Mortgage Association is a permissible investment for an FCU. According to the Prospectus for the Kemper Trust, the underlying securities are exclusively GNMA's. It is the opinion of this Office that the Kemper Trust is a permissible investment for FCU's. This should not be interpreted or represented as an endorsement of the Kemper Trust. It is merely our opinion that the investment is permissible for FCU's.

There is not enough information to determine whether or not the Kemper Fund is a permissible investment for FCU's. According to the Prospectus, the Kemper Fund may lend its portfolio securities principally to broker-dealers. More information about these transactions is needed in order to determine whether the Fund is a permissible investment for FCU's. The Prospectus also states that the Kemper Fund will be involved in repurchase agreements with financial institutions. Pursuant to Sections 703.2(1)(2), 703.2(n) and 703.3(d) of the NCUA Regulations governing investments, FCU's are limited to certain types of repurchase transactions. The purchase price of the security obtained in the transaction must be at or below market price according to the regulation. Not enough information is given in the Prospectus to determine whether the regulatory restrictions are being met. The Kemper Fund is also involved in cash forward agreements. Again, not enough information is given in the Prospectus to determine whether regulatory restrictions are being met. (See 12 C.F.R. §§703.2(d) and 703.3(b).)



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

We hope that we have been of assistance.

Sincerely,

ROBERT M. FENNER
Director, Department of Legal Services

cc: All Regions
PIO
Ed Dupcak



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

LS/SRB:cch
4660
October 2, 1984

Mr. Edward J. Wiles, Jr.
Vice President and Assistant Secretary
Kemper Financial Services, Inc.
120 South LaSalle Street
Chicago, IL 60603

Dear Mr. Wiles:

This is in reply to your letter dated September 19, 1984, to Ms. Hattie Ulan concerning the permissibility of Federal Credit Union ("FCU") investment in the Kemper U.S. Government Securities Fund, Inc. ("the Fund"), prospectus dated February 1, 1984. You had previously written (letter dated June 1, 1984) and we had responded on July 11, 1984, noting that certain investment activities of the Fund may not satisfy the regulatory restrictions in Part 703 of the NCUA Rules and Regulations (12 C.F.R. Part 703).

You indicate in your most recent letter that although not expressly stated in the prospectus the investment activities would comport with the requirements imposed by Part 703.

It has been our position that when a prospectus authorizes an impermissible investment or activity an amendment to the prospectus is necessary to modify (and/or limit) the investment authority of a fund before we will render an opinion that the fund is permissible. We regret if Mr. Rachlin has caused you to believe otherwise.

Lastly, again reviewing the prospectus, we note that on page 4 the Fund is authorized to ". . . purchase optional delivery standby commitments." As provided in section 703.4(a):

"A Federal credit union may not purchase or sell a standby commitment."

Since the investment activity is not permissible for FCU's, the Fund's involvement in such activities would further result in the Fund being an impermissible investment for FCU's.

In conclusion, based upon the prospectus, it is our opinion



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WASHINGTON, D.C. 20456

that the Fund is not a permissible investment for FCU's.

If you have any questions, please contact Mr. Steven Bisker
in this Office.

Sincerely,

ROBERT M. FENNER
Director, Department of Legal Services