



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

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4660  
3/19/86

Office of General Counsel

John F. Splain, Esq.  
Midwest Group  
Dixie Terminal Building  
Cincinnati, OH 45202-3874

Dear Mr. Splain:

This is in reply to your letter dated January 22, 1986, concerning the permissibility of Federal credit union investment in the Midwest Income Trust, Short Term Government Fund (STG Fund) and Intermediate Term Government Fund (ITG Fund), Prospectus dated January 26, 1985, Statement of Additional Information dated January 26, 1985, Revised January 9, 1986.

As you know, Sections 107(7) and (8) of the FCU Act, 12 U.S.C. §§1757(7) and (8) and Part 703 of the NCUA Rules and Regulations, 12 C.F.R. §703, are the pertinent provisions of Federal law regulating FCU investments and deposits. We have interpreted these provisions as authorizing FCU investment in mutual funds if all of the investments and investment practices made by the Fund are permissible if made directly by an FCU.

The STG Fund invests exclusively in obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities and backed by the full faith and credit of the United States. The ITG Fund invests in obligations issued or guaranteed by the U.S. Government, its agencies and instrumentalities specifically authorized in Section 107(7) of the FCU Act.

The Statement of Additional Information for the Midwest Income Trust states that, although not a fundamental policy of the Trust, investments and investment transactions will be limited to those permissible for FCU's pursuant to Sections 107(7) and (8) of the FCU Act and Part 703 of the NCUA Regulations. The Statement of Additional Information states further that if changes to this policy are made, all FCU investors will be notified.

Accordingly, it is the opinion of this Office that the STG and the ITG Funds are legal investments for FCU's. This should not, however, be interpreted or represented as NCUA's endorsement, recommendation, or approval of the Midwest Income Trust. It is

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merely our opinion that the Funds are 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,



STEVEN R. BISKER  
Assistant General Counsel

YG:cch