



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

Office of General Counsel

Mr. Charles J. Finlayson  
Vice President  
Lord Abbett U.S. Government Securities  
Fund, Inc.  
63 Wall Street  
New York, NY 10005

GC/1/6100k  
4660  
3/20/86

Dear Mr. Finlayson:

This is in reply to your letter dated January 21, 1986, to Mr. Robert Fenner of this Office concerning the permissibility of Federal credit union (FCU) investment in the Lord Abbett U.S. Government Securities Fund, Inc. (the Fund), Prospectus dated April 1, 1985.

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 of the Fund are permissible if made directly by an FCU.

Page three of the prospectus sets forth the types of securities in which the Fund will invest. The prospectus states that the Fund will invest in, among other things, "obligations issued or guaranteed by U. S. Government agencies and instrumentalities. . . ." As you know, FCU's are limited to the investment restrictions set forth in Sections 107(7) and (8) of the FCU Act. Basically, FCU's are limited to investments in (1) obligations of the United States or fully guaranteed as to principal and interest thereby; (2) obligations issued by wholly-owned government corporations; (3) obligations issued by or fully guaranteed as to principal and interest by any other government agency; (4) FDIC- and FSLIC-insured institutions; and (5) other investments specifically noted in Section 107(7).

It is not clear from the Prospectus that investments in obligations guaranteed by U. S. agencies are fully guaranteed as to principal and interest by the agency. Further, the authority of the Fund to invest in obligations issued or guaranteed by instrumentalities is quite broad and may not meet the requirements of Sections 107(7) and (8). There is no general

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authority in Section 107(7) for FCU investment in obligations of instrumentalities of the United States. Rather, only those instrumentalities specifically described (e.g., Federal land banks, Federal Home Loan Banks, FNMA, etc.) would be legal investments. In addition, all "obligations, participations, securities, or other instruments of, or issued by, or fully guaranteed as to principal and interest by any . . . agency of the United States. . ." would be permissible FCU investments. Lastly, all securities fully guaranteed as to principal and interest by the United States would be authorized FCU investments. The Fund's prospectus or statement of additional information must clearly establish that the investment limitations of the FCU Act and NCUA regulations are satisfied. Your prospectus simply lists, as examples, those U.S. agencies and instrumentalities in which the Fund may invest. It is not an all inclusive list.

Accordingly, it is the opinion of this Office that the Fund is not a legal investment for FCU's.

If you have any further questions or problems, please let me know.

Sincerely,

STEVEN R. BISKER  
Assistant General Counsel

YG:cch