



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

GC/VG:zck
4660
4/1/86

Office of General Counsel

John L. Davenport, Esq.
Associate General Counsel
Liberty Financial Services
Federal Reserve Plaza
Boston, MA 02210

Dear Mr. Davenport:

This responds to your letter dated March 12, 1986, concerning the permissibility of Federal credit union (FCU) investment in the Liberty Mutual U. S. Government Guaranteed Securities Income Trust (Trust), Prospectus and Statement of Additional Information dated February 7, 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 Trust invests exclusively in obligations issued or guaranteed by the U.S. Government or its agencies and obligations issued or guaranteed by U.S. instrumentalities that are supported by the full faith and credit of the U.S. Treasury. These investments are expressly authorized for FCU's by the FCU Act.

The Trust also engages in repurchase transactions and when-issued and forward commitment transactions. The repurchase agreements are in compliance with Section 703 of the Regulations. However, the Prospectus and the Statement of Additional Information fail to state that cash forward agreements will be completed within 120 days pursuant to Section 703.3(b) of the Regulations. Although your letter clearly states that such transactions are always completed well under 120 days, our legal opinions may only be based on what is contained either in the Prospectus or Statement of Additional Information.

FOIA VAI . E . 5 .

John L. Davenport, Esq.

Page Two

Accordingly, the Liberty Mutual U. S. Government Guaranteed Securities Income Trust is not a legal investment for Federal credit unions.

Sincerely,



STEVEN R. BISKER
Assistant General Counsel

YG:cch