



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

Office of General Counsel

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4/1/86

Jack Platt, Esq.
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New York, NY 10178

Dear Mr. Platt:

This is in reply to your letter to this Office dated March 3, 1986, concerning the permissibility of Federal credit union (FCU) investment in the U.S. Government Portfolio of Current Interest, Inc. (Fund), Prospectus dated October 1, 1985.

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 previously 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 Fund invests exclusively in obligations issued or guaranteed as to principal and interest by the U.S. Government or one of its agencies or instrumentalities.

Pursuant to Sections 107(7) and (8) of the FCU Act, FCU's are limited to investments in the following:

- (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

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- (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, as described in the Prospectus, 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 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 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 NOUA Regulations are satisfied. Your Prospectus simply provides a general, broad grant of authority for the Fund to invest in obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities. It cannot be determined from the Prospectus whether all those investments meet the requirements of Section 107(7) of the FCU Act.

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

Please let me know if you have any further questions or problems.

Sincerely,



STEVEN R. BISKER
Assistant General Counsel

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