



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

Office of General Counsel

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4660  
4/23/86

Mr. A. Fabian Garces  
Prudential-Bache Securities Inc.  
525 University Avenue, 5th Floor  
Palo Alto, CA 94301

Dear Mr. Garces:

Your letter dated February 24, 1986, to the California Department of Corporations concerning the Franklin U.S. Government Securities Fund (Franklin Fund) has recently come to our attention. As more fully explained below, that letter is misleading and misrepresents the action of the National Credit Union Administration (NCUA) when it renders an opinion with respect to legal investments for Federal credit unions (FCU's).

NCUA reviews prospectuses upon submission and then issues opinions as to the legality of the investment. NCUA offers no opinion as to the advisability or soundness of a particular investment. Although not expressed in the October 18, 1983, letter you enclosed, this distinction has subsequently been widely publicized. (See enclosed copy of a recently-issued opinion.) Therefore, your letter, which states that NCUA has "approved" the Franklin Fund for investment by FCU's, implying that we have somehow ruled on the merits of the investment, is not accurate.

We ask that you take appropriate steps to correct the misimpression caused by your letter.

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Mr. A. Fabian Graces

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Please call me at (202) 357-1030 if you have any questions or wish to discuss this matter further.

Sincerely,

(S)

STEVEN R. BISKER  
Assistant General Counsel

YG:cch

Enclosure

cc: RD, Region VI (San Francisco)  
Mr. Jack Carlson  
Assistant Commissioner  
Financial Services Division  
Department of Corporations  
600 S. Commonwealth Avenue  
Los Angeles, CA 90005