



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

Office of General Counsel

GC/HMU:ck
4660
5/20/86

Ms. Nancy G. Matthews
The Di Santo Company
NEL Equity Services Corporation
477 Ninth Avenue, Suite 110
San Mateo, CA 94402

Dear Ms. Matthews:

Your letter of February 18, 1986, to Craig Williams of the San Mateo City Employees Federal credit union (FCU) concerning the Franklin Fund has come to our attention. As more fully explained below, that letter is misleading and misrepresents the position of the National Credit Union Administration (NCUA) with respect to its opinion on legal investments for 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 our October 18, 1983, letter enclosed with your letter to San Mateo FCU, this distinction has subsequently been widely publicized. (See enclosed 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.

Lastly, the letter upon which you relied was based on an amended prospectus dated August 24, 1983, not the current prospectus for the Franklin Fund. We are in the process of reviewing the current prospectus for the Franklin Fund. Should you need further information on the Franklin Fund or other legal investments for FCU's, please contact our Investment Hotline at (800) 424-3205.

We ask that you take appropriate steps to correct the misimpression caused by your letter. Please call me at (202)

FOIA file: Vol I, E Investments

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357-1030 if you have any questions or wish to discuss this matter further.

Sincerely,



STEVEN R. BISKER
Assistant General Counsel

HMU:cch

Enclosure

cc: Regional Director, Region VI (San Francisco)