



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

July 30, 1986

Office of General Counsel

GC/YG:sg
4660

Mr Larry E. Hinman
Developers Capital Corporation
8 Old Baltimore Court
Olney, MD 20832

Dear Mr. Hinman:

This is in response to your letters dated February 18, and April 24, 1986, concerning the permissibility of Federal credit union (FCU) investment in an earnings-based account (EBA).

Sections 107(7) and (8) of the FCU Act (12 U.S.C. §§1757(7) and (8)), and Section 703.3(c) of the NCUA Rules and Regulations (12 C.F.R. §703.3(c)) authorize FCU investments and deposits in FDIC- and FSLIC-insured institutions. According to your letters, you propose to offer EBA's issued by FDIC- and FSLIC-insured institutions to FCU's. An EBA is any account that provides for the payment of interest which is determined, to any extent, directly or indirectly, with reference to an index based upon the profitability, earnings, cash-flow, appreciation, or other form of return on assets which are, directly or indirectly, owned by or under or within the control of the insured institution. FCU investment in accounts of FDIC- and FSLIC-insured institutions is expressly authorized by Section 107(8) of the FCU Act.

Accordingly, it is the opinion of this Office that your proposed Earnings Based Account program is a legal investment for FCU's. This opinion letter should not be interpreted or represented as NCUA's endorsement, recommendation, or approval of the EBA. It is merely our opinion that the investment is legal for FCU's.

This is not a recommendation by NCUA

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Vol I. F. - Deposits

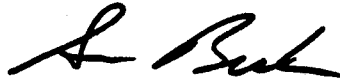
Mr. Larry E. Hinman

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Any communication with Federal credit unions concerning our opinion must clearly state this distinction.

I hope we have been of assistance.

Sincerely,



STEVEN R. BISKER
Assistant General Counsel

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