



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

August 21, 1986

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Office of General Counsel

Mr. Clifford Rosenthal  
National Federation of Community Development  
Credit Unions  
29 John Street, Suite 903  
New York, NY 10038

Dear Mr. Rosenthal:

This responds to your letter dated June 13, 1986, to Mr. Robert Fenner of this Office concerning the pledging of shares or share certificates.

According to your letter, the National Federation of Community Development Credit Unions (NFCDCU) borrows funds from various groups and deposits the loan proceeds in low-income credit unions. Some of the participating lenders have now requested that NFCDCU collateralize its loans with the shares or share certificates purchased with the loan proceeds. As a result of this request you have asked this Office for an opinion as to whether there are any impediments to, or restrictions on, the NFCDCU pledging its shares or share certificates to secure its loans.

There is no express provision in either the FCU Act (12 U.S.C. §1751 et seq.) or the NCUA Rules and Regulations (12 C.F.R. Part 700 et seq.) directly addressing this issue. Unless by its terms the share account or share certificate is prohibited from being pledged, it would appear that the matter would simply be one to be resolved by contract between the parties. This is a matter of state law.

Lastly, we should point that if the pledged shares or share certificates are foreclosed by the lender, and if the lender is

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Mr. Clifford Rosenthal

Page Two

not a member of the credit union or cannot maintain an account there, the accounts must be closed and either withdrawn from the credit union or be placed into an accounts payable account.

I hope that we have been of assistance.

Sincerely,



STEVEN R. BISKER  
Assistant General Counsel

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