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November 7, 1986

October 6, 1986

Mr. Wendell Sebastian
National Credit Union Administration
1776 G Street, N.W., Sixth Floor
Washington, D.C. 20456

**Integrated
Resources**

RE: Home Investors Government Guaranteed Income Fund, Inc.

Dear Mr. Sebastian:

We understand that Federal credit unions are empowered by Section 107(7) of the Federal Credit Union Act, 12 USC §1757, to invest their funds in, among other things, certain U.S. Government securities, to include obligations the principal and interest of which is guaranteed by an agency of the U.S. Government.*

The purpose of this letter is to request your opinion as to whether Home Investors Government Guaranteed Income Fund, Inc. (the "Fund"), the attributes of which are discussed below as supplemented by the terms of its prospectus (a copy of which is enclosed herewith), would constitute an eligible investment for Credit Unions subject to the jurisdiction of the National Credit Union Administration. As a subset of the overall question of eligibility, we would also ask that you confirm to us that should a Federal credit union be empowered to invest in units of the Fund that for bookkeeping purposes such units would be valued at the acquisition cost thereof.

* In pertinent part, Section 107(8) provides that Federal credit unions may invest in "obligations of the United States of America or securities fully guaranteed as to principal and interest thereby; ... in shares or accounts of savings and loan associations or mutual savings banks, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation or the Federal Deposit Insurance Corporation; [and] in obligations issued by banks for cooperatives, Federal land banks, Federal intermediate credit banks, Federal home loan banks, the Federal Home Loan Bank Board, or any corporation designated in Section 846 of Title 31 as a wholly owned Government corporation; or obligations, participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association or the Government National Mortgage Association; or in mortgages, obligations, or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation pursuant to Section 1454 or 1455 of this Title; or in obligations or other instruments or securities of the Student and Marketing Association ..."

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The Fund is an investment pool of obligations backed by the full faith and credit of the United States of America such as Treasury Bills and Notes and Government National Mortgage Association participation certificates. The Fund may purchase U.S. government obligations permitted by its investment objective and policies which are subject to simultaneous agreements to repurchase the same securities (repos). To the extent the Fund engages in repurchase transactions, securities acquired thereby would be held in the Federal Reserve Book Entry System. To the extent obligations of the Government National Mortgage Association are acquired by the Fund on a when issued or delayed delivery basis, the period between trade date and settlement date would not exceed 120 days.

In the case of an institution which is bound by the provisions of a narrowly drafted or "legal list" statute, such as Section 107(7) (supra), it has been our experience that although the portfolio securities held by the Fund are consistent with the investment guidelines set forth in the statute, concern may be expressed that the interposition of a "legal entity" (the Fund) between the client and the Government securities held by the Fund serves to vitiate the investments.

The Fund was organized as a Maryland corporation on December 23, 1982. The Fund is a mutual fund, also known as a diversified open-end management investment company. While the Fund holds legal title to the property, beneficial ownership continues to rest with the beneficiaries (for purposes of this discussion, the Credit Union).

The credit union would beneficially own the U.S. Government securities held for its benefit by the Fund. This assertion is buttressed by the fact that mutual funds are treated as a conduit entity for many purposes (such as under the Internal Revenue Code). Accordingly, when one invests assets in the Fund, one is in effect purchasing U.S. Government obligations which, in our opinion, is completely consistent with the obligative provisions of Section 107(8), providing for the purchase and retention of such securities.

Assuming the Fund is determined to be an authorized investment for credit unions under Section 107(7) of the Federal Credit Union Act, it would appear logical, therefore, to permit credit unions to value their holdings in the Fund

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at the cost thereof. This assertion is premised on the view that the underlying assets of the Fund would constitute long-term debt to the credit union client. In addition, the current generally accepted accounting practice for financial institutions permits long-term to be carried at cost without recognition of changes in market values, unless there has been a permanent impairment of value. To require units of the Fund to be valued other than at their cost yet deem them to be permissible investments for Federal credit unions would lead to an anomalous result. Specifically, if the credit union acquired the U.S. government obligations held in the Fund portfolio on a direct basis, such securities would be permitted to be valued at their cost. For consistency's sake, we would suggest the same accounting treatment be afforded units of the Fund.

Should you have any questions with respect to the foregoing, I would appreciate it if you would direct them to my attention. I can be reached directly at 212-551-6029.

Very truly yours,

Gary M. Gardner
Vice President and Secretary


GMG/ac

Enclosure

The following investment,
Home Investors Gov't Guaranteed
Income Fund, Inc. - July 31, 1986
 is a LEGAL investment for FCU's.

NOT LEGAL -- not in compliance with:
12 CFR § 703.4 (b)
 § _____

Other Private Issued CMO's, INSTRUMENTALITIES.

 Steve Bisk 11/7/86
 STEVEN R. BISKER
 Assistant General Counsel