



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

December 1, 1986

Office of General Counsel

Mr. Stanley S. Shirley  
Carty & Company, Inc.  
6263 Poplar Avenue, Suite 800  
Memphis, Tennessee 38119

GC/YG:sg  
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Dear Mr. Shirley:

This responds to your letter dated September 18, 1986, to Mr. Robert Fenner of this Office concerning the permissibility of Federal credit union (FCU) investment in Collateralized Mortgage Obligations (CMO's).

Section 107(15)(B) of the FCU Act, 12 U.S.C. §1757(15)(B), states in relevant part:

"A Federal credit union shall have power-  
to invest in securities that-

are mortgage related securities . . . subject  
to such regulations as the Board may  
prescribe, including regulations prescribing  
minimum size of the issue . . . or minimum  
aggregate sales prices, or both;"

Privately-issued CMO's come within the purview of Section 107(15)(B) of the FCU Act. The authority provided in Section 107(15)(B) is not effective until implementing regulations are promulgated. As of this date regulations have not been promulgated. Accordingly, FCU's may not legally invest in privately-issued CMO's at this time.

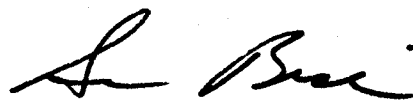
Mr. Stanley S. Shirley

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Lastly, we should point out that CMO's issued by one of the entities listed in Section 107(7) of the FCU Act (e.g., FHLMC) are permissible investments for FCU's. FCU's may invest in these CMO's at this time.

I hope that we have been of assistance.

Sincerely,



STEVEN R. BISKER  
Assistant General Counsel

Enclosures

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