

Dreyfus

Service Corporation

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William V. Healey
Vice President and Legal Counsel

April 30, 1987

GC/RD:sg
4660
May 28, 1987

VIA FEDERAL EXPRESS

Office of General Counsel
National Credit Union Administration
1776 G Street, N.W.
Washington, D.C. 20456

Attention: Steven R. Bisker

Re: Premier GNMA Fund

Gentlemen:

I am writing on behalf of Dreyfus Service Corporation, distributor of Premier GNMA Fund (the "Fund"), to request your confirmation that the Fund is a permissible investment for federal credit unions. The Fund is an open-end diversified, management investment company (commonly known as a "mutual fund") and is described more fully in the enclosed prospectus and Statement of Additional Information, each dated December 30, 1986, as revised March 31, 1987.

I have reviewed and am familiar with Section 107(7) of the Federal Credit Union Act (12 U.S.C. 1757(7)) (the "Act") and Part 703 of the National Credit Union Administration Rules and Regulations promulgated thereunder (12 C.F.R. Part 703) (the "Regulations") which relate to permissible investments by federal credit unions. I have also been advised that, although not expressly stated in the Act or the Regulations, your office has previously opined that investments in mutual funds are permissible for federal credit unions if all of the investments and investment practices of the mutual funds are legal and made directly by a federal credit union.

The investment powers of a federal credit union set forth at 12 U.S.C. Section 1757(7) include the authority to invest funds in "obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby" as well as "obligations, participations, securities, or other instruments of, or issued by, or fully guaranteed as to principal and interest by any agency of the United States." In addition, instruments of, or issued by, or fully guaranteed as to principal and interest by, the Government National Mortgage Association ("GNMA") are specifically enumerated as permissible investments.

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As described on pages 2 and 3 of the enclosed Prospectus under the heading "Description of The Fund -- Management Policies," a fundamental policy of the Fund is to invest at least 65% of its net assets (except when maintaining a temporary defensive position) in GNMA Certificates ("Ginnie Maes"). The Fund invests in Ginnie Maes only of the "fully modified pass-through" type which are guaranteed as to timely payment of principal and interest by the Government National Mortgage Association. The Fund may purchase Ginnie Maes on a forward commitment basis as described under "Investment Considerations" on page 3 of the Prospectus, which provides that delivery and payment for Ginnie Maes purchased on a forward commitment basis take place no later than 120 days after the date of the commitment to purchase, as required by Section 703.3(b) of the Regulations.

In addition to Ginnie Maes, the Fund may purchase other securities issued or guaranteed by the U.S. Government or issued by its agencies or instrumentalities that are backed by the full faith credit of the U.S. Government ("Other Government Securities"). While not expressly stated in the Prospectus or Statement of Additional Information, I have been advised that the Fund will not invest in Other Government Securities unless they are backed by the full faith and credit of the U.S. Government for the full payment of all principal and interest thereon. For temporary defensive purposes, the entire portfolio may be so invested. The various investment restrictions adopted by the Fund as fundamental policies are described in the Fund's Statement of Additional Information (see pp. B-3 and B-4). I have been advised that the Fund will not engage in any activities currently prohibited by Section 703.4 of the Regulations.

Based upon and subject to the foregoing, it is my opinion that the Fund is a permissible investment for federal credit unions because the instruments the Fund invests in are limited to those in which federal credit unions could invest directly: (1) 12 U.S.C. Section 1757(7) authorizes federal credit unions to invest directly in GNMA Certificates; (2) securities issued by or guaranteed by the U.S. Government are clearly "obligations of the United States" which are permissible investments under 12 U.S.C. Section 1757(7); and (3) securities issued by U.S. government agencies or instrumentalities that are backed by the full faith and credit of the U.S. Government for the full payment of principal and interest thereon qualify as permissible investments because (a) the statute expressly authorizes investment in "securities, or other instruments of, or issued by, or fully guaranteed as to principal and interest by any other agency of the United States" and/or (b) they are, in effect, "obligations of the United States" which fully backs the agency or instrumentality obligations with the full faith and credit afforded its own obligations. From a credit evaluation standpoint, an obligation backed by the full faith and credit of the U.S. Government is

superior to an obligation fully guaranteed by an agency or instrumentality which is not backed by the full faith and credit of the United States because such an agency or instrumentality could exhaust its funds rendering its guarantee worthless.

Please indicate your concurrence with this opinion that shares of the Fund constitute a permissible investment for federal credit unions under the provisions of 12 U.S.C. Section 1757(7) and Part 703 of the Regulations thereunder.

If you have any questions about the foregoing, please contact me at (212) 230-2148.

Very truly yours,

William V. Healey
William V. Healey


WVH:mt
Enclosures

This is not a recommendation by NCUA

The following investment,
Premier GNMA Fund (prospectus dated 12-30-86, as revised 3-31-87)
 is a LEGAL investment for FCU's.

NOT LEGAL -- not in compliance with:
 _____ § _____
 _____ § _____

Other _____

 *Steven R. Bisker 5/28/87*
 STEVEN R. BISKER
 Assistant General Counsel