



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

May 26, 1987

Office of General Counsel

Peter J. Germain, Esq.
Federated Investors, Inc.
Federated Investors Tower
Pittsburgh, PA 15222-3779

Dear Mr. Germain:

This responds to your letter dated April 8, 1987, concerning the permissibility of Federal credit unions (FCU's) investing in a mutual fund which, in addition to other permissible FCU investments, invests in securities described in Section 107(15) of the FCU Act.

As you noted in your letter, Section 107(15) of the FCU Act, 12 U.S.C. §1757(15), states in part that:

[A Federal credit union shall have power] to invest in securities that . . . (B) are mortgage related securities . . . subject to such regulations as the [NCUA] Board may prescribe, including regulations prescribing minimum size of the issue . . . or minimum aggregate sales prices, or both;

The authority provided in Section 107(15) is not effective until NCUA implements it through regulation or interpretive ruling. We anticipate that the NCUA Board will issue either a proposed rule or an interpretive ruling or take some other action in the near future.

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Investments in mutual funds which invest in CMO's and other M.B.S.

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

I hope that we have been of assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "S. Bisker".

STEVEN R. BISKER
Assistant General Counsel

RD:sg