



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

June 11, 1987

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Office of General Counsel

Mr. Horace C. Sutterer  
First Vice President - Sales  
Government Securities Corporation of Texas  
16010 Barker's Point Lane  
Suite 450  
Houston, TX 77079

Dear Mr. Sutterer:

This is in response to your letter concerning Federal credit union ("FCU") investment in Small Business Association ("SBA") guaranteed loan pools.

Federal credit union investment authority is found in Section 107(7) of the FCU Act, 12 U.S.C. §1757(7). Among other things, FCU's may invest in obligations, participations, securities, or other instruments of, issued by, or guaranteed as to principal and interest by an agency of the United States pursuant to Section 107(7)(E) of the FCU Act, 12 U.S.C. §1757(7)(E).

The SBA is an agency of the United States. Pursuant to the Small Business Act, the SBA guarantees portions of loans made and may issue trust certificates that are based on and backed by a trust or pool approved by the SBA and composed solely of the guaranteed portions of such loans. The SBA is authorized to guarantee payment on such trust certificates. (See 15 U.S.C. §634(g).) The SBA has issued regulations implementing the authority to pool the guaranteed portions of SBA loans. (See 13 C.F.R. §120.700-712.) Pool certificates must be issued in compliance with these regulations. We reach no conclusion as to compliance with these regulations. FCU investment in such pools is permissible since payment of principal and interest of the loans comprising such guaranteed by the SBA.

*THIS IS NOT A RECOMMENDATION FROM THE NCUA*

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Our opinion on the permissibility of this investment should not be interpreted or represented as NCUA's approval, endorsement or recommendation of the investment. It is merely our opinion that investment in the loan pools is legal for FCU's. Any communication with FCU's must clearly state this distinction.

I hope that we have been of assistance.

Sincerely,



Steven R. Bisker  
Assistant General Counsel

HMU:sg

This is not a recommendation by NCUA