



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

GC/HMU:sg  
4660

June 17, 1987

Office of General Counsel

Michael B. Ettlenger, Esq.  
Hawkins, Delafield & Wood  
67 Wall Street  
New York, NY 10005

Dear Mr. Ettlenger:

This is in response to your letter concerning the permissibility of Federal credit union ("FCU") investment in the Sears Investment Trust, Dual Value Series 1, the Sears Government Investment Trust, GNMA Portfolio, Series 1-9, and the Sears Government Investment Trust, Freddie Mac Portfolio Series 2-4.

As you know, FCU investments are governed by Sections 107(7) and (8) of the FCU Act (12 U.S.C. §§1757(7) and (8)) and Part 703 of the NCUA Rules and Regulations (12 C.F.R. Part 703). Although not expressly stated in these provisions, it has been our longstanding position that an FCU may invest in a unit investment trust if all of the investments and investment transactions of the investment trust are legal if made directly by the FCU.

The Sears Investment Trust, Dual Value Series 1 (prospectus dated November 21, 1986) ("Dual Series") is authorized to invest in common stocks and corporate debt securities, among other things. Such investments are not permissible pursuant to Sections 107(7) and (8) of the FCU Act. Hence, the Dual Series is not a permissible investment for FCU's. It is irrelevant that certain other investments in the Dual Series are permissible for FCU's and may provide capital protection for an investor in the Dual Series.

You submitted prospectuses for the following series of the Sears Government Investment Trust, GNMA Portfolio: Series 1, prospectus dated December 1, 1986; Series 2, prospectus dated February 7, 1987; Series 3, prospectus dated July 15, 1986; Series 4, prospectus dated September 24, 1985; Series 5, prospectus dated February 24, 1986; Series 6, prospectus dated June 17, 1986; Series 7, prospectus dated August 1, 1985; Series 8, prospectus dated April 18, 1986; and Series 9, prospectus dated September 30, 1986. According to the nine prospectuses, the investments of the GNMA Portfolio Series consist of mortgage backed securities

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that are fully guaranteed by GNMA or contracts to purchase such securities. Section 107(7)(E) of the FCU Act (12 U.S.C. 1757(7)(E)) authorizes FCU investment in instruments fully guaranteed as to principal and interest by GNMA. Hence, Series 1-9 of the Sears Government Investment Trust, GNMA Portfolio, are permissible investments for FCU's.

You also submitted prospectuses for the following series of the Sears Government Investment Trust, Freddie Mac Portfolio: Series 2, prospectus dated September 30, 1985; Series 3, prospectus dated January 9, 1987; and Series 4, prospectus dated January 9, 1987. According to the three prospectuses, the investments of the Freddie Mac Portfolio Series consist of Freddie Mac certificates and contracts to purchase Freddie Mac certificates. The certificates are fully guaranteed as to payments of principal and interest by the Federal Home Loan Mortgage Corporation. FCU's are authorized to invest in such securities pursuant to Section 107(7)(E) of the FCU Act. Hence, it is our opinion that Series 2, 3, and 4 of the Sears Government Investment Trust, Freddie Mac Portfolio, are permissible investments for FCU's.

This opinion letter should not be interpreted or represented as NCUA's endorsement, recommendation or approval of the above noted investments. It is merely our opinion that the GNMA Portfolio Series 1 through 9 and the Freddie Mac Portfolio Series 2, 3 and 4 are permissible investments for FCU's. Any communication with FCU's concerning our opinion must clearly state this distinction.

I hope that we have been of assistance.

Sincerely,



STEVEN R. BISKER  
Assistant General Counsel

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