



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20156

July 16, 1987

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Office of General Counsel

Mr. Robert C. Brush  
Assistant Treasurer  
LMSC Federal Credit Union  
P.O. Box 3643  
Sunnyvale, California 94086-3643

Dear Mr. Brush:

This is in response to your letter requesting our opinion as to whether Certificate of Deposit Notes issued by a national bank (Bank) are permissible investments for Federal credit unions (FCU's).

Your letter and the accompanying materials describe the Notes as negotiable instruments evidencing time deposits in the Bank. The materials state that holders of the Notes are covered by FDIC insurance to the same extent as holders of any deposit in the Bank. The deposit evidenced by the Note ranks equally with all other deposits of the Bank. The Notes will be issued either in underwritten blocks of \$25 million or more, or in response to investor inquiry. The maturities will range from eighteen months to five years or occasionally longer. The minimum denomination will be \$250,000. The Notes may be split without charge to the investor so long as such splits result in no certificates being less than the \$250,000 minimum denomination.

The issuing and transfer agent for the Notes is a trust company in New York.

Federal credit union investment and deposit authority is governed by Sections 107(7) and (8) of the Federal Credit Union Act (12 U.S.C. §§1757(7) and (8)) and Part 703 of the NCUA Rules and Regulations (12 C.F.R. Part 703). Under Section 107(8) of the FCU Act, an FCU may make deposits in national banks and in state banks, trust companies, and mutual savings banks operating in accordance with the laws of the state in which the Federal credit union does business or in banks or institutions the accounts of which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation.

Inasmuch as the national bank's Deposit Notes are deposits (they are negotiable time deposits) they would be a permissible deposit for FCU's.

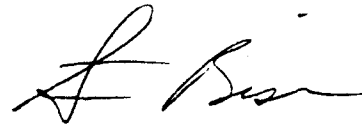
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Prior to placing a deposit in such Notes, we would suggest that you confirm with the FDIC the extent to which the \$100,000 FDIC insurance will cover your deposit. It should be noted, the entire FCU deposit in such a Note would not need to be covered by FDIC insurance to be a permissible FCU deposit under Section 107(8) of the FCU Act. However, deposit amounts over the \$100,000 insurance coverage pose potential safety and soundness issues that your FCU would need to address.

I hope we have been of assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read 'S. Bisker', with a stylized, cursive script.

STEVEN R. BISKER  
Assistant General Counsel

RD:sg