



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

September 8, 1987

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Office of General Counsel

Mr. H.F. Hunter  
President  
Golden Bay Federal Credit Union  
P.O. Box 127  
Moffett Field, CA 94035

Dear Mr. Hunter:

This is in reply to your letter of August 13, 1987, to Chairman Jepsen concerning Section 701.23 of the NCUA Rules and Regulations ("Purchase, Sale, and Pledge of Eligible Obligations"). Specifically, you are concerned with the limitations in this Section involving the purchase of loans made by another credit union.

The limited ability of an FCU to purchase loans made by another credit union, although expressed in Section 701.23, is merely a republication of the restrictions specified in the Federal Credit Union Act. Section 107.(13) of the FCU Act (12 U.S.C. §1757(13)) provides, in pertinent part, that:

"A Federal credit union shall have power -

\* \* \*

(13) in accordance with rules and regulations prescribed by the Board to purchase, sell, pledge, or discount or otherwise receive or dispose of, in whole or in part, any eligible obligations (as defined by the Board) of its members and to purchase from any liquidating credit union notes made by individual members of the liquidating credit union . . . ."  
(Emphasis added.)

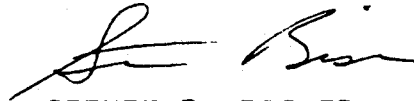
As seen, the Act limits the purchase of eligible obligations (defined in Section 701.23(a)(1) as a loan or group of loans) to those of the purchasing FCU's members and to loans to members of a liquidating credit union. Therefore, the concerns you raise cannot be remedied by amending Section 701.23. Rather, a legislative change to the FCU Act would be required.

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Mr. H.F. Hunter  
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I hope that I have been of assistance. If you have further questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Bisker", written in a cursive style.

STEVEN R. BISKER  
Assistant General Counsel

SRB:sg