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NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

September 30, 1988

Office of General Counsel

Ms. Becky Horner
Corporate Funds Manager
Independent Federal Credit Union
P.O. Box 629
Anderson, Indiana 46015

Re: Permissibility of Federal Credit Union
Investment in Bank Deposit Notes (Your
July 13, 1988, Letter)

Dear Ms. Horner:

An FCU may invest in bank deposit notes issued: (1) by national banks; (2) by state banks, trust companies, and mutual savings banks operating in accordance with the laws of the state in which the FCU does business; and (3) by banks or institutions the accounts of which are insured by the Federal Deposit Insurance Corporation.

Background

You have asked whether an FCU may invest in medium term bank deposit notes. The material you submitted with your letter indicates that the notes will be FDIC insured up to \$100,000, and that the only structural difference between a certificate of deposit and a deposit note is the interest payment schedule. The deposit notes will be classified on the bank's balance sheet as a deposit.

Analysis

Section 107(8) of the FCU Act [12 U.S.C. 1757(8)] authorizes an FCU to:

make deposits in national banks and
in State banks, trust companies,
and mutual savings banks operating
in accordance with the laws of the

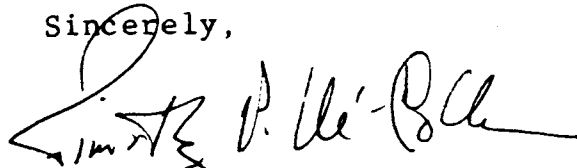
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State in which the Federal credit union does business, or in banks or institutions the accounts of which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation

Inasmuch as the deposit notes are called and recorded by the issuing bank as deposits (presumably with the permission of the FDIC), and the issuing bank is FDIC insured, they are a permissible investment for an FCU pursuant to the Section 107(8) deposit authority.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy P. McCollum". The signature is stylized and written over the printed name below it.

TIMOTHY P. McCOLLUM
Assistant General Counsel

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