



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

GC/TPM:hmu
4650

November 7, 1988

Office of General Counsel

Ms. Sheryl Sexe
Chief Executive Officer
South Dakota Corporate Federal Credit Union
Post Office Box 0
Sioux Falls, SD 57101

Re: Pledging FCU Assets
(Your August 2, 1988, letter)

Dear Ms. Sexe:

An NCUA examiner has recommended your corporate Federal credit union ("FCU") extend secured rather than unsecured lines of credit to member FCU's, and file UCC-1 forms as appropriate under applicable state law. For a host of reasons given in your letter, your corporate FCU objects.

Generally, this is a matter which can only be resolved through negotiation with the Region V Regional Office; we can offer no legal guidance. However, we do offer this clarification, which may be of help: a member FCU, through Section 107(9) of the FCU Act [12 U.S.C. §1757(9)], may pledge all assets to your corporate FCU if appropriate.

You have suggested that Section 701.23 of NCUA's Rules and Regulations ("Purchase, Sale, and Pledge of Eligible Obligations") [12 C.F.R. §701.23], which limits an FCU's pledging of various loans or groups of loans, implicitly prohibits an FCU's pledging other assets. This is not so.

Section 701.23(d) governs an FCU's pledging of loans of its members, loans of members of a liquidating credit union purchased from that credit union, and student and real estate loans purchased to establish pools for resale on the secondary market. Nothing in the regulation suggests that no other FCU assets may be pledged.

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In our view, Section 107(9) of the FCU Act [12 U.S.C. §1757(9)] provides an adequate basis for pledging other FCU assets. That provision permits an FCU:

to borrow in accordance with such rules
and regulations as may be prescribed by
the Board, from any source

Incidental to that authority is the power to pledge any or
all FCU assets to secure repayment of the borrowing.

Sincerely,


TIMOTHY P. MCCOLLUM
Assistant General Counsel