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NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

April 17, 1989

Office of General Counsel

Mr. Donald W. Braden
Senior Vice President
Corporate Development
Alaska USA Federal Credit Union
P.O. Box 196613
Anchorage, Alaska 99519-6613

Re: Alaska Housing Finance Corporation (Your
February 24, 1989, Letter)

Dear Mr. Braden:

You have asked whether Alaska USA Federal Credit Union ("FCU") may provide deposit and deposit-related accounting services to the Alaska Housing Finance Corporation ("AHFC"). Since AHFC qualifies as a political subdivision under Section 745.1(d) of NCUA's Rules and Regulations (12 C.F.R. §745.1(d)), the FCU may perform these functions for AHFC.

BACKGROUND

AHFC was formed by Alaska Statute ("AS") §18.56.020 providing, in part:

The Alaska Housing Finance Corporation is a public corporation and governmental instrumentality within the Department of Revenue, but having a legal existence independent of and separate from the state.

The AHFC was formed to:

assist in the acquisition and development of land and the construction, rehabilitation, financing, management, maintenance, sale and rental of dwelling units for persons of lower

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and moderate income or persons in remote, underdeveloped or blighted areas. . . . The Alaska Housing Finance Corporation is empowered to act on behalf of the state. . . in serving this public purpose. . . .

AS \$18.56.010.

In \$18.56.082 of the AS, the State established a revolving fund to be expended for the purposes of the AHFC. You also state that AS \$37.10.075 authorizes the AHFC to deposit funds in credit unions.

In carrying out its statutory purpose, the AHFC is authorized to make mortgage loans. AHFC has requested that the FCU provide servicing for the loans owned by AHFC. The servicing would consist of the FCU accepting loan payments from borrowers for deposit into an account held by AHFC at the FCU, making transfers and disbursements from this account, and providing statements detailing the source of deposits and the disbursements made. AHFC is not a member of the FCU.

ANALYSIS

All FCU's are authorized to accept and maintain certain types of nonmember accounts. Section 101(5) of the FCU Act (12 U.S.C. \$1752(5)) defines "member account" to include accounts of nonmember units of state governments and political subdivisions thereof.

The term "political subdivision" is defined in Section 745.1(d) of NCUA's Rules and Regulations (12 C.F.R. \$745.1(d)) to include:

any subdivision of a public unit as defined in [12 C.F.R. \$745.1(c)] or any principal department of such public unit, (1) the creation of which subdivision or department has been expressly authorized by state statute, (2) to which some functions of government have been delegated by state statute, and (3) to which funds have been allocated by statute or ordinance for its exclusive use and control.

The term public unit is defined in Section 745.1(c) of NCUA's Rules and Regulations (12 C.F.R. \$745.1(c)) to include any state of the United States.

AHFC was established by AS \$18.56.020; has been delegated a government function by AS \$18.56.010; and has been allocated funds for its use by AS \$18.56.082. It qualifies as a political subdivision under NCUA's Rules and Regulations.

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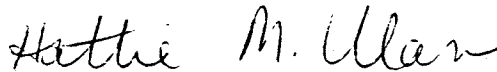
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An FCU is authorized to accept deposits from political subdivisions (as defined in NCUA's Rules and Regulations) by Section 107(6) of the FCU Act (12 U.S.C. §1757(6)).¹ NCUA's Rules and Regulations place a limit on the amount of nonmember deposits and deposits from public units and political subdivisions thereof that an FCU may accept. Section 701.32(b) of NCUA's Rules and Regulations (12 C.F.R. §701.32(b)) provides:

Unless a greater amount has been approved by the Regional Director, the maximum amount of all such accounts shall not, at any given time, exceed 20% of the total shares of the Federal credit union. A Federal credit union seeking an exemption from the 20% limit must present, at a minimum, an explanation of the need to raise the limit and copies of its lending and investment policies.

The FCU may accept deposits from AHFC, subject to the Section 701.32 limitation. The FCU may also, as incidental to its authority to accept the deposits, provide the account servicing you described.

Sincerely,



HATTIE M. ULAN
Assistant General Counsel

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¹ You have stated that AHFC is authorized to deposit funds in a credit union pursuant to AS §37.10.075. According to Section 745.10 of the NCUA Regulations, public funds must be lawfully invested (pursuant to statutory or regulatory authority) in order to be legally insured accounts. We make no determination on this issue.