



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

Office of General Counsel

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SSIC 4560
89-0839

October 13, 1989

Ms. Angela J. Hughes
Manager
Indiana Rural Cooperatives Federal Credit Union
720 North High School Road
P.O. Box 24517
Indianapolis, IN 46224

Re: Commercial Paper Investment (Your August 24,
1989, Letter)

Dear Ms. Hughes:

Indiana Rural Cooperatives Federal Credit Union (Indiana FCU) is interested in making an investment in commercial paper issued by the National Rural Utilities Cooperatives Finance Corporation (CFC). The commercial paper issued by CFC is not a permissible investment for FCU's.

BACKGROUND

The Rural Electrification Administration (REA) is an agency in the United States Department of Agriculture. The National Rural Utilities Cooperatives Finance Corporation (CFC) is a nonprofit cooperative funding medium for rural electric cooperatives. It is chartered under the laws of the District of Columbia. It operates from equity capital contributed by rural electric cooperatives throughout the United States. The CFC issues short term commercial paper to fund loans to its member borrowers. You stated in your letter that the CFC's "commercial paper is backed by a federal agency -- the REA...." and inquired whether your FCU may invest in CFC's commercial paper.

FOIA

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Analysis

Section 107(7) of the FCU Act (12 U.S.C. §1757(7)) permits an FCU to "invest its funds . . . (E) . . . in obligations, participations, securities, or other instruments of, or issued by, or fully guaranteed as to principal and interest by any other agency of the United States"

REA is an agency established within the United States Department of Agriculture. (See 7 U.S.C §901.) The REA is permitted to guarantee loans of the CFC in addition to other named entities. (See 7 U.S.C. §936.) We contacted the Office of the Assistant General Counsel at the REA concerning REA guarantee of CFC commercial paper. According to Michael Kelley Esq., of that office (telephone: 202-447-2764), the REA has not issued a guarantee on any CFC commercial paper. We also contacted the CFC's John Suter, Corporate Financial Assistant (telephone: 202-337-6700) and he confirmed that there is no REA guarantee on CFC commercial paper or any other CFC security. In the event the REA does issue such a guarantee, FCU's would be authorized to invest in such securities provided they are fully guaranteed as to principal and interest by the REA.

Sincerely,

Hattie M. Ulan

HATTIE M. ULAN
Assistant General Counsel