



NATIONAL CREDIT UNION ADMINISTRATION

Washington, D.C. 20456

November 1, 1989

Office of General Counsel

GC/JT:sg
SSIC 3600
89-0837

Mr. John F. Kinney
Chief Executive Officer
Electric Boat Community FCU
32 Chicago Avenue
Groton, Connecticut 06340

Re: FCU Investment in Stock of the Federal Home Loan
Banks (Your August 23, 1989, Letter)

Dear Mr. Kinney:

You have asked whether it is permissible for a Federal credit union ("FCU") to invest in stock of a Federal Home Loan Bank ("FHLB"). The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA") authorized this investment for FCU's. However, the investment is limited by FIRREA to the minimum amount of stock required for FHLB membership or to secure an advance from a FHLB.

ANALYSIS

Section 704 of FIRREA amended Section 4(a) of the Federal Home Loan Bank Act (12 U.S.C. 1424(a)) by expanding membership in the FHLB's to include federally-insured credit unions that engage in mortgage lending and that meet certain other requirements. The purpose of the FIRREA amendment was to strengthen the FHLB's and their ability to support the home mortgage market.

Sections 6(b) and 10(e) of the Federal Home Loan Bank Act (12 U.S.C. 1426(b) and 1430(e)), as amended by Sections 706 and

FOIA - Vol. I Part E 1

Mr. John F. Kinney

November 1, 1989

Page 2

714 of FIRREA, set forth the minimum stock purchase required for membership in a FHLB. Section 10(e) may also require the purchase of stock above this minimum when an FCU seeks an advance from a FHLB.

FIRREA did not amend the FCU Act to expressly provide for FCU investment in stock of an FHLB. Section 107(7)(E) of the FCU Act (12 U.S.C. 1757(7)(E)) authorizes FCU investment in obligations issued by FHLB's. It is not clear from the legislative history whether the term "obligations" was intended to include stock. However, it is our opinion that FIRREA establishes the authority for FCU investment in stock of an FHLB. Since there is no express authority in the FCU Act for FCU investment in FHLB stock, the investment must be limited to the minimum amount of stock required for membership in an FHLB, as established in Sections 6(b) and 10(e) of the Federal Home Loan Bank Act (12 U.S.C. 1426(b) and 1430(e)), as amended by FIRREA, plus any additional stock purchase required by Section 10(e) to obtain an advance from an FHLB.

While FHLB stock is a permissible investment for an FCU pursuant to the changes made by FIRREA, it is the responsibility of each FCU to make the determination as to whether the investment is advisable for the FCU, and whether an FHLB is an appropriate source of funds for an FCU. An FCU should consult with the FHLB in determining whether it qualifies for membership in the FHLB and the amount of the required stock purchase.

Finally, an FCU should be aware that Section 719 of FIRREA requires the NCUA to make available to an FHLB any examinations, reports, records, or other available information about the condition of an FHLB-member credit union.

Sincerely,

Hattie M. Ulan

HATTIE M. ULAN
Assistant General Counsel