



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

June 21, 1990

Mr. Carl M. Schneider
Executive Vice President and
Chief Operating Officer
Barksdale Federal Credit Union
P.O. Box 9
Barksdale AFB, LA 71110-0009

Re: Purchase of Accounts Receivable (Your June 1,
1990, Letter)

Dear Mr. Schneider:

You have asked whether a federal credit union has the authority to purchase a package of automobile loans from the Resolution Trust Corporation ("RTC") as a conservator for a savings bank. A federal credit union does not have any authority to engage in this activity.

BACKGROUND

The Barksdale Federal Credit Union (FCU) wants to bid on a package of performing and nonperforming automobile loans offered for sale by the RTC, as conservator for a savings bank located in Monroe, Louisiana. The book value of the loan package is \$2,256,038, which includes a total of 573 loans. The loans are located in Louisiana and will be sold through a competitive bid process to the highest bidder. You asked whether Sections 107(13) and (17) of the FCU Act (12 U.S.C. 1757(13) and (17)) may authorize the purchase of such loans.

ANALYSIS

Federal credit union powers, including investment authority, are set forth in Section 107 of the FCU Act (12 U.S.C. 1757). This section does not expressly authorize the purchase of pooled automobile loans. The authority of an FCU to make, purchase and invest in loans is generally limited to: (1) origination of loans by the credit union to its own members

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(see Sections 107(5) and 107(7)(A) of the FCU Act and Section 701.21 of NCUA's regulations (12 C.F.R. 701.21)); (2) the purchase of "eligible obligations" of the FCUs members (see Section 107(13) of the FCU Act and Section 701.23 of NCUA's regulations (12 C.F.R. 701.23)); (3) the purchase of notes made by individual members of a liquidating credit union (see Sections 107(13) and 107(14) of the FCU Act; and (4) purchase of "assets" from another credit union (see Section 107(14) of the FCU Act). None of these provisions authorize an FCU to purchase automobile loans from a failed savings and loan. In addition, pursuant to prevailing case law on express and implied powers, the incidental powers provision in Section 107(17) of the FCU Act (12 U.S.C. 1757(17)) does not permit this activity.

Sincerely,

Hattie M. Ulan

HATTIE M. ULAN
Associate General Counsel

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