



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

September 23, 1991

Grace A. Huebscher
Senior Vice President
National Cooperative Bank
1630 Connecticut Ave., NW
Washington, DC 20009-1004

Re: Mortgage-Backed Private Placements
(Your June 17, 1991, Letter)

Dear Ms. Huebscher:

You have asked about the permissibility of federal credit union (FCU) investment in the National Cooperative Bank's (NCB's) mortgage-backed private placements.

FCUs have long been authorized to invest in mortgage-related securities issued by federal instrumentalities such as the Federal National Mortgage Association, the Government National Mortgage Association, and the Federal Home Loan Mortgage Corporation. With the enactment of Section 107(15)(B) of the FCU Act, 12 U.S.C. §1757(15)(B), FCUs were permitted to invest in privately-issued mortgage-related securities. Section 3(a)(41) of the Securities Exchange Act, 15 U.S.C. §78c(a)(41), defines a mortgage-related security as follows:

a. The security is rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization; and

b. The security must either represent ownership of one or more promissory notes or certificates of interest or participations in such notes; or be secured by one or more promissory notes or certificates of interest or participation in such notes and, by its terms, provide for payments of principal in relation to payments or reasonable projections of payments, on notes, or certificates of interest or participations, in promissory notes; and

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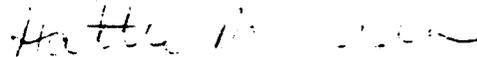
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c. The underlying notes or certificates must be directly secured by a first lien on a single parcel of real estate; stock allocated to a dwelling unit in a residential cooperative housing corporation, upon which is located a dwelling or mixed residential and commercial structure; or on a residential manufactured home; and

d. The underlying notes or certificates must have been originated by a savings and loan association, savings bank, commercial bank, credit union, insurance company, or similar institution which is supervised and examined by a Federal or State authority; or by a mortgagee approved by the Secretary of Housing and Urban Development.

If NCB's private placements are mortgage-related securities within the definition set forth above, they are permissible investments for FCUs. Please note that FCUs have never been and are not currently authorized to invest in corporate debt securities.

Sincerely,



Hattie M. Ulan
Associate General Counsel

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