

August 10, 1998

Tom E. Walker, Senior Vice President
Suncoast Schools Federal Credit Union
6801 East Hillsborough Avenue
P.O. Box 11904
Tampa, Florida 33680

Re: Pledging Assets to Cover Funds in a Retirement Account.

Dear Mr. Walker:

You have asked whether Suncoast Schools Federal Credit Union (FCU) may pledge assets to secure funds in tax-deferred retirement accounts that are deposited by a school board in the name of individual members. Specifically, assets would be pledged to secure those accounts with amounts in excess of the \$100,000 National Credit Union Share Insurance Fund coverage. Pledging of assets for this type of deposit is impermissible.

FCUs have limited authority to pledge their assets. The Federal Credit Union Act authorizes an FCU to pledge its assets to secure the payment of funds deposited by state, federal, or local governments or Indian tribes. 12 U.S.C. §1767(b). There is no general authority for an FCU to pledge its assets to secure shares or deposits. Even assuming that the school board qualifies as a subdivision of local government and, under I.R.C. §457, retains a legal interest in the funds, the accounts are deposited in the name of the individuals, not the school board. For that reason, the FCU cannot pledge assets to secure these shares.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/MJMcK:bhs
SSIC 3501
98-0302