

December 10, 1998

Jay G. Baris, Esq.
Kramer, Levin, Naftalis & Frankel
919 Third Avenue
New York, New York 10022

Re: Permissible Investments for Federal Credit Unions (FCUs).

Dear Mr. Baris:

In our letter to you dated December 3, 1998, we incorrectly stated that obligations of federal farm credit banks are not permissible investments for FCUs.

The terms "federal farm credit banks" and "farm credit banks" are not used in the provision of the Federal Credit Union Act addressing permissible FCU investments. 12 U.S.C. §1757(7)(E). As a result of a mandatory merger required under the Agricultural Credit Act of 1987, Pub.L. 100-399, title IV, §402, Aug. 17, 1988, 102 Stat. 999, farm credit banks, chartered by the Farm Credit Administration, are the successors to federal land banks and federal intermediate credit banks, which are specifically enumerated in the Act. 12 U.S.C. §1757(7)(E). Accordingly, obligations issued by farm credit banks are permissible investments for FCUs.

Furthermore, in our previous letter we stated that FCUs may invest in a mutual fund as long as the fund's prospectus restricts the fund's investment portfolio only to investments and investment transactions that are permissible for FCUs. 12 C.F.R. §703.100(d). Accordingly, FCUs may invest in a mutual fund the underlying securities of which include obligations of farm credit banks so long as all other securities in the fund and the fund's investment transactions are permissible for FCUs.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/FSK:bhs
SSIC 3600
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