

March 2, 1998

Ms. Mary Mortenson
Tel-Effective Communications, Inc.
1106 Second St., Suite 183
Encinitas, CA 92024

Re: Brokered Shares
(Your Letter of December 16, 1997)

Dear Ms. Mortenson:

You have asked several questions about the ability of federal credit unions (FCUs) to use brokers to obtain shares. NCUA does not have a specific regulation in this area. An FCU may accept brokered shares, as long as it does so consistent with the principles of safety and soundness.

You have asked whether capital ratios are an issue and if there are special reporting requirements for FCUs that accept brokered shares. While there is no specific regulation governing these matters, NCUA would be concerned about an FCU with a low capital ratio or in troubled condition, *see* 12 C.F.R. §701.14, accepting a significant amount of brokered shares.

You also have asked whether FCUs are authorized to receive share certificates from banks or other depository institutions, with or without the assistance of a share broker. Only an FCU with a low-income designation from NCUA may receive shares from entities other than members, public units, political subdivisions, or credit unions. 12 U.S.C. §1757(6); 12 C.F.R. §§701.32, 701.34. The amount of nonmember deposits, including those of public units, political subdivisions, and credit unions, that an FCU may accept is limited to the greater of 20% of the FCU's total shares or \$1.5 million.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/LH:bhs
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