

September 14, 1998

Anthony C. Launi, Manager
MCBR Federal Credit Union
1355 Piccard Drive
P.O. Box 1573
Rockville, Maryland 20850

Re: Servicing and Insurability of Housing Opportunity Commission Loans, Your June 2, 1998,
Letter.

Dear Mr. Launi:

You have asked whether you can service loans granted by the Housing Opportunities Commission. Yes, it is an incidental power to the ability to accept public unit funds. You have also asked whether these funds are insured. Yes, up to \$100,000, if the public funds are lawfully invested and properly maintained in the credit union.

The Housing Opportunities Commission (HOC), located in Kensington, Maryland, lends up to \$7,500 to first-time home buyers for down payment and closing costs. HOC wants MCBR Federal Credit Union to service these loans, with the following responsibilities: order a coupon book for each borrower; collect monthly payments and deposit all funds in a noninterest bearing account; send all funds for the month to HOC with various reports; and handle delinquencies for the first 60-90 days. You anticipate that the program will be terminated within two years, and you will be servicing 1,000 loans, with each loan having a seven-year term.

All FCU's are authorized to accept and maintain certain types of nonmember accounts. Section 101(5) of the FCU Act defines "member account" to include accounts of nonmember units of state governments and political subdivisions thereof.

The term public unit is defined in Section 745.1(c) of NCUA's Regulations to include any state of the United States. The term political subdivision is defined in §745.1(d) of NCUA's Regulations to include:

[A]ny principal department of such public unit, (1) the creation of which subdivision or department has been expressly authorized by state statute, (2) to which some functions of government have been delegated by state statute, and (3) to which funds have been allocated by statute or ordinance for its exclusive use and control.

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HOC qualifies as a political subdivision of a public unit under to NCUA Regulations and may deposit funds in the credit union up to the limits set forth in §701.32 of NCUA's Regulations. The

credit union may provide the servicing of these loans as incidental to its authority to accept loan payments and deposit them into HOC's public unit account.

Part 745 of NCUA's Regulations sets forth the rules for the insurance of member accounts. Section 745.1(b) of NCUA's Regulations defines member accounts to include nonmember public units and political subdivisions. Such accounts are insured up to \$100,000, assuming the funds are lawfully invested and properly maintained in the credit union.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/MJMcK:bhs
SSIC 3501
98-0607