

August 6, 1998

Gretchen L. Jones, General Counsel  
Maine Credit Union League  
P.O. Box 1236  
Portland, Maine 04104-1236

Re: Federal credit union investment in CUSO debentures, Your letter dated July 2, 1998.

Dear Ms. Jones:

You have asked whether a federal credit union (FCU) may invest in the debentures of a CUSO. As explained below, the answer is yes.

Maine credit unions and the Maine Credit Union League own stock in MECUL Service Corporation (the CUSO). Maine credit unions also hold the CUSO's debentures. In addition, some of these credit unions have made loans to the CUSO up to their 1% maximum. You have raised the issue of debentures as a permissible investment because of language added to the final regulation that states "[a]n FCU can only invest in a CUSO as an **equityholder** of a corporation, as a member of a limited liability company, or as a limited partner of a limited partnership." 12 C.F.R. §712.2(a) (emphasis added). We do not believe this language was intended to prohibit credit unions from investing in the debentures of a CUSO. In fact, the Federal Credit Union Act permits FCUs to invest in the obligations of a CUSO. 12 U.S.C. §1757(7)(I). The regulatory language was added as a clarification, and there is no indication that it was intended to prohibit a previously permissible investment.

We plan to propose clarifications to Part 712 before the end of the year. This section will be addressed at that time.

Sincerely,

Sheila A. Albin  
Associate General Counsel

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