

November 30, 1998

James F. Taylor, Vice President, Senior Strategist
First Union Capital Markets
One First Union Center, TW-8
Charlotte, NC 28288-0602

Re: Permissibility of Investment in Security Guaranteed by the Federal Home Loan Mortgage Corporation (Freddie Mac).

Dear Mr. Taylor:

You have asked whether federal credit unions (FCUs) may invest in a security that is issued by First Union Capital Markets (First Union) and guaranteed by Freddie Mac. For the reasons discussed below, it is not a permissible investment for FCUs under the Federal Credit Union Act (Act).

FCUs may only make investments that are specifically permitted by the Act. You have focused on the provisions in the Act that permit FCUs to invest in mortgages, obligations, or other securities which are or ever have been sold by Freddie Mac and in obligations, participations, securities, or other instruments of, or issued by, or fully guaranteed by an agency of the United States. 12 U.S.C. §1757(7)(E).

The subject security does not fit into any of these categories because it is issued by First Union, a private entity, and, although it is guaranteed by Freddie Mac, Freddie Mac is not an agency of the United States. Accordingly, it is not a permissible investment for FCUs.

Sincerely,

Sheila A. Albin
Associate General Counsel

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