

April 2, 1991

Michael S. Smith  
Senior Vice President/Investments  
The Robinson Humphrey Co., Inc.  
3333 Peachtree Rd., N.E.  
Atlanta, GA 30326

Re: FCU Investment Authority

Dear Mr. Smith:

You have drawn to our attention a discrepancy between two of our opinion letters. A November 15, 1988, letter to Alan C. Geolot indicates that a trust certificate which is 90% guaranteed by the United States government and 10% collateralized by United States securities is a permissible investment for federal credit unions (FCUs). By contrast, an October 26, 1990, letter to Bruce A. Taylor indicates that such a certificate is not a permissible investment for FCUs.

Section 107(7)(B) of the FCU Act, 12 U.S.C. ~1757(7)(B), authorizes an FCU to invest its funds "in obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby." Section 107(7)(E) of the FCU Act, 12 U.S.C. ~1757(7)(E), provides in part that FCUs may invest "in obligations, participations, securities, or other instruments of, or issued by, or fully guaranteed as to principal and interest by any . . . agency of the United States." In the 1988 letter, we stated that although the certificate was only 90% guaranteed, the 10% collateral arrangement satisfied the "fully guaranteed" requirement, since the collateral consisted of sufficient securities supported by the full faith and credit of the United States to assure timely payment of the non-guaranteed portion of the obligation. In the 1990 letter, however, we stated that since the certificate was not fully guaranteed, it was not a permissible investment for FCUs.

The 1990 letter reflects our current position. While a certificate collateralized by United States securities may, in fact, be a safe investment, we believe that the investment provisions of the FCU Act should be interpreted narrowly. Accordingly, if a security is not fully guaranteed as to principal and interest by the United States government or agency thereof, it is not a permissible investment for FCUs unless otherwise authorized by Section 107(7), (8) or (15) of the FCU Act, 12 U.S.C. 1757(7), (8) or (15).

Sincerely,

Hattie M. Ulan  
Associate General Counsel  
GC/LH:sg  
SSIC 4660  
91-0318