

October 12, 1995

Jeffrey M. Schweitz
Controller
IDB-IIC Federal Credit Union
P.O. Box 27377
Washington, D.C. 20038-7377

Re: Insurance of Nonmember Custodial Accounts (Your September 28, 1995, Letter)

Dear Mr. Schweitz:

You have asked whether custodial accounts established by your federal credit union (FCU) pursuant to its agreement with Federal National Mortgage Association (FNMA) are federally insured. The agreement requires an FCU that has sold loans to FNMA and maintains the servicing on such loans to maintain an account insured by the National Credit Union Share Insurance Fund (NCUSIF) or the Federal Deposit Insurance Corporation to safeguard the payments on the loans sold. Further, FNMA requires that a custodial account be established and that the loan servicer (in this case, the FCU) hold the account as agent/bailee for FNMA and/or the mortgagors. As explained below, these accounts are insured.

Section 745.3(a)(3) of NCUA's Rules and Regulations provides for the insurance of custodial loan accounts if the loans have been properly sold by the FCU pursuant to Section 107(13) of the FCU Act (12 U.S.C. §1757(13)) and Section 701.23 of the Regulations (12 C.F.R. §701.23). Attached are copies of Section 745.3(a)(3) of the Regulations and example 7 provided in Appendix A to Part 745, which illustrates coverage under this provision.

Sincerely,

Richard S. Schulman
Associate General Counsel

GC/MFR:bhs
SSIC 3601
95-1002
Enclosures