

NATIONAL CREDIT UNION ADMINISTRATION
WASHINGTON, D.C. 20456
LETTER TO CREDIT UNION

NCUA LETTER NO. 66

DATE: July 21, 1982

TO: THE BOARD OF DIRECTORS OF THE FEDERAL CREDIT UNION ADDRESSED:

We have been advised that a savings and loan association has been contacting credit unions regarding placement of funds with it in a transaction characterized as a repurchase transaction. The agreement involves credit unions depositing funds with the savings and loan association in exchange for a mortgage-backed note collateralized by first liens on a residential and commercial real property. The National Credit Union Administration considers this transaction to be a loan to a nonmember and it is, therefore, impermissible for Federal credit unions.

Federal credit unions are permitted to enter into two types of repurchase agreements. Credit unions can enter into an investment-type or a loan-type repurchase transaction but these must be in conformance with Section 703.3(a)(4) of the National Credit Union Administration Rules and Regulations.

If representatives of any savings and loan association approach your credit union about entering into this type of transaction, please advise the regional office of the National Credit Union Administration which serves your credit union. We would also appreciate your contacting the National Credit Union Administration if your credit union is approached by any other financial institution or broker about entering into an investment transaction which may be impermissible for Federal credit unions.

Sincerely,

CHARLES W. FILSON
Director, Office of Programs