

April 18, 2008

Patricia A. Zyma, SVP/Chief Financial Officer
Utilities Employees Credit Union
P.O. Box 14864
Reading, PA 19612-4864

Re: Permissibility of Borrowing Funds to Purchase Investments.

Dear Ms. Zyma:

You asked if a federal credit union (FCU) is permitted to borrow funds to purchase investments. Yes, an FCU can borrow to purchase investments, subject to the general limits on borrowing and, of course, general statutory and regulatory investment provisions would apply to any investment.

Your credit union is a federally insured, state-chartered credit union (FISCU) and the Pennsylvania Department of Banking, your primary regulator, suggested you obtain NCUA's interpretation on this question because the Pennsylvania Credit Union Code has a parity provision. 17 PA. CODE §501(e)(1) (2008). Our understanding is your FISCU submitted a parity notice to the state regulator for its approval to borrow to make investments in permissible securities and that, otherwise, the proposed activity currently would be prohibited. 17 PA. CODE §511(b) (2008).

Under the FCU Act, FCUs have the express power to borrow from any source, limited to 50% of paid-in and unimpaired capital and surplus. 12 U.S.C. §1757(9). The National Credit Union Administration's (NCUA's) regulation on maximum borrowing authority implements this provision at 12 C.F.R. §741.2. The statute and the regulation do not restrict how an FCU can use borrowed funds.

FCUs are, however, subject to limitations on permissible investments and FISCUs are subject to special reserve requirements for investments that may be permissible under state law but do not conform to the FCU Act or NCUA regulations. 12 C.F.R. Part 703, §741.3(a)(2). If you have additional questions, please feel free to contact us.

Sincerely,

/S/

Sheila A. Albin
Associate General Counsel

OGC/RMM:bhs
08-0139

cc: Joseph A. Moretz, Manager, Corporate Applications Division,
Pennsylvania Department of Banking