

May 5, 2011

Mr. Guy A. Messick  
Messick & Weber P.C.  
211 N. Olive Street  
Media, PA 19063-2810

Re: Sale of Federal Credit Union Loans.

Dear Mr. Messick:

You have asked if §701.23 of NCUA's regulations permits a federal credit union (FCU) to sell loans of its members to a registered mutual fund. Yes, §701.23 permits that under the circumstances discussed below.

Section 701.23 of NCUA's regulations controls the purchase, sale, and pledge of eligible obligations by FCUs. 12 C.F.R. §701.23. It defines the term "eligible obligations" as a loan or group of loans. 12 C.F.R. §701.23(a). With respect to the sale of an FCU's eligible obligations, the rule provides:

*Sale.* A Federal credit union may sell, in whole or in part, to any source (emphasis added), eligible obligations of its members, eligible obligations purchased in accordance with paragraph (b)(1)(ii) of this section, student loans purchased in accordance with paragraph (b)(1)(iii) of this section, and real estate loans purchased in accordance with paragraph (b)(1)(iv) of this section, within the limitations of the board of directors' written sale policies, *Provided:*

(1) The board of directors or investment committee approves the sale; and

(2) A written agreement and a schedule of the eligible obligations covered by the agreement are retained in the seller's office.

12 C.F.R. §701.23(c).

Accordingly, an FCU may sell, in whole or in part, eligible obligations of its members to a registered mutual fund provided the FCU complies with the criteria in 12 C.F.R. §701.23(c).

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Please feel free to contact Senior Staff Attorney Frank Kressman or me with any additional questions or if we can be of further assistance.

Sincerely,

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Hattie M. Ulan  
Associate General Counsel

OGC/FK  
11-0358