

INTERPRETIVE LETTER 92-5 (MAY 14, 1992)

State banks are authorized to purchase stock issued by the Federal Home Loan Mortgage Corporation and the Student Loan Marketing Corporation.

We are in receipt of your letter requesting the Agency's opinion as to whether a state bank may purchase stock in the Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Student Loan Marketing Association ("Sallie Mae").

Sections 5(12) and 33 of the Illinois Banking Act ("Act"), Ill. Rev. Stat. ch. 17, pars. 311(12) and 341, specify authorized investments for a state bank. In addition to the investments authorized under those provisions, Section 5(11) of the Act, also known as the wild card provision, authorizes a state bank to "do any act and to own, possess and carry as assets property of such character, including stock, which is at the time authorized or permitted to National Banks...."

The corporate powers of national banks are enumerated in 12 U.S.C. ' 24. The provisions of Section 24(7) generally prohibit national banks from purchasing stock for their own account. One exception, however, allows national banks to purchase "mortgages, obligations or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation...or obligations or other instruments or securities of the Student Loan Marketing Association...." The Office of the Comptroller of the Currency has also issued Interpretive Letter No. 577 clarifying a national bank's authority to invest in Freddie Mac preferred stock. Therefore, since national banks are authorized to purchase Freddie Mac and Sallie Mae stock pursuant to 12 U.S.C. ' 24(7) and Interpretive Letter No. 577, a state bank also may purchase Freddie Mac or Sallie Mae stock under the authority granted in Section 5(11) of the Act.