

# MEMORANDUM

*File MAC/legislation*

Date: 20 January 1979

To: Marilyn Friedman, Linda Seale, John Keohane

From: Andrew Decker *AD*

Re: Legislative Admendments

MUNICIPAL  
ASSISTANCE  
CORPORATION  
FOR THE CITY  
OF NEW YORK

The First and Second General Bond Resolutions contain very sepcific language as to the permissible investments for moneys on deposit in the First or Second General Resolutions' Capital Reserve Funds. The language of Section 702 of each Resolution reads in part "moneys in the Debt Service [or Bond Service] Fund[s] and the Capital Rreserve [and Capital Reserve Aid] Fund[s] shall...be invested by the Trustee upon the direction of the Corporation...in...(b) any bond, debenture, note, participation or other similar obligation issued by...Federal Land Banks, Federal Internediate Credit Banks, Banks for Cooperatives..." Bond Counsel has advised that the new Federal Farm Credit system obligations, which are "joint" obligations of the Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives, and will henceforth replace any new issuance by any of the agencies, are not eligible investments for MAC because they are not "issued by" but are "obligations of" such agencies. A significant portion of MAC's Capital Reserve Fund assets are invested in the securities of these three individual agencies. Since these agencies were major issuers in the marketplace, it is necessary for MAC to be able to invest in the new Federal Farm Credit system obligations.

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There appear to be two approaches to dealing with the problem.

1. MAC is permitted by law and its Resolutions to invest in obligations which are permissible investments for moneys held in the State Treasury. Bond Counsel has advised that such permissible investments are detailed in Section 98 of the State Finance Law. MAC could seek legislation to specifically amend Section 98 to permit the State to hold Federal Farm Credit system obligations, thus permitting MAC to do so also.
  
2. I believe that Chapter 168 which establishes MACs in general and 169 which establishes MAC for New York, permit a MAC to invest funds in an obligation that is a permissible investment for savings banks. MAC's resolutions, however, do not provide for this. MAC could seek legislation to modify Section 98 to permit the State to invest in obligations which are permissible investments for savings banks. MAC also would seek legislation that would make Federal Farm Credit system obligations permissible investments for savings banks in the State. This would accomplish the desired end of making Federal Farm Credit obligations permissible investments for MAC, as well as make future changes less cumbersome since banking laws would presumably be kept up to date with changing market conditions.

*Municipal Assistance Corporation  
For The City of New York*

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I would appreciate a quick response on this matter, since the universe of permissible investments for MAC has dramatically shrunk at a time when interest rates are at historically high levels.