



**THE ATTORNEY GENERAL
OF TEXAS**

CRAWFORD C. MARTIN
ATTORNEY GENERAL

AUSTIN, TEXAS 78711

March 12, 1969

Honorable Jesse James
State Treasurer
State Capitol Building
Austin, Texas 78711

Opinion No. M-354

Re: Whether preliminary loan notes issued by the Urban Renewal Agency of the City of Austin, guaranteed by the Federal Government, and conforming to the copy of one of said notes which is submitted with your opinion request, are authorized collateral to secure the deposit of State funds.

Dear Mr. James:

In connection with your request for an opinion on the above captioned subject, you have submitted a copy of a preliminary loan note of the Urban Renewal Agency of the City of Austin. The copy of the note submitted is a copy of one note in a series and other notes in the series are identical to the copy save and except for serial numbers. The notes conforming to the copy show on their face that they are secured by an agreement between the Urban Renewal Agency of the City of Austin and the Federal Government and that under the agreement, the Urban Renewal Agency of the City of Austin has agreed to borrow from the Federal Government and the Federal Government has agreed to lend to the Urban Renewal Agency of the City of Austin, prior to the maturity of such notes, moneys in an amount which (together with any other moneys irrevocably committed to the payment of interest on such notes) will suffice to pay the principal of such notes with interest to maturity which moneys under the terms of said agreement are required to be used for the purpose of paying the principal of and the interest on such notes at their maturity. A "payment agreement" bearing the duly authorized facsimile signature of the secretary of

Housing and Urban Development appears on the back of said notes, said "payment agreement" being identical to the "payment agreement" which we approved as a guarantee for the deposit of State funds in Attorney General's Opinion No. M-197 (1968) and reading as follows:

"PAYMENT AGREEMENT

"Pursuant to section 102(c) of the Housing Act of 1949, as amended (42 U.S.C. 1452(c)), the United States hereby unconditionally agrees that on the Maturity Date of the within Preliminary Loan Note it will pay or cause to be paid to the bearer thereof the principal of and interest thereon, upon the presentation and surrender of such Note to the Paying Agent designated therein, and the full faith and credit of the United States is pledged to such payment. Under section 102(c) of the Act, this Agreement shall be construed separate and apart from the loan contract referred to in the within Note and shall be incontestable in the hands of a bearer.

"IN WITNESS WHEREOF, this Agreement has been executed on behalf of the United States by the duly authorized facsimile signature of the Secretary of Housing and Urban Development, as of the Date of Issue of the within Note."

Section 15(e) of Article 1269 L-3, Vernon's Civil Statutes, (the Urban Renewal Law) provides, in part, that certain regulated investors:

"...may legally invest any sinking funds, moneys, or other funds belonging to them or within their control in any bonds or other obligations issued by an urban renewal agency pursuant to this Act; provided that such bonds

and other obligations shall be secured by an agreement between the issuer and the Federal Government in which the issuer agrees to borrow from the Federal Government and the Federal Government agrees to lend to the issuer, prior to the maturity of such bonds or other obligations, moneys in an amount which (together with any other moneys irrevocably committed to the payment of interest on such bonds or other obligations) will suffice to pay the principal of such bonds or other obligations with interest to maturity thereon, which moneys under the terms of said agreement are required to be used for the purpose of paying the principal of and the interest on such bonds or other obligations at their maturity. Such bonds and other obligations shall be authorized security for all public deposits..." (Emphasis added.)

We answer your question in the affirmative pursuant to the express legislative authorization above quoted. Preliminary loan notes issued by the Urban Renewal Agency of the City of Austin, guaranteed by the Federal Government, and conforming to the copy of one of said notes which has been submitted with your opinion request, are authorized collateral to secure the deposit of State funds.

SUMMARY

Preliminary loan notes issued by the Urban Renewal Agency of the City of Austin, guaranteed by the Federal Government, and conforming to the copy of one of said notes which has been submitted with your opinion request, are authorized collateral to secure the deposit of State funds.

Yours very truly,



CRAWFORD C. MARTIN
Attorney General of Texas

Honorable Jesse James, page 4 (M- 354)

PREPARED BY:

Larry Craddock
Assistant Attorney General

APPROVED:
Opinion Committee

Kerns Taylor, Chairman
George Kelton, Vice Chairman
Roy W. Mouer
Ralph Rash
Malcolm Quick
Bill Allen

W. V. GEPPERT
Staff Legal Assistant