



**National Association of Federal Credit Unions**

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May 22, 2006

Mary F. Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

Comments on Interim Final Part 745

Dear Ms. Rupp:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions (FCUs), I am responding to the National Credit Union Administration's (NCUA) interim final rule and request for comment regarding amendments to 12 C.F.R. Parts 745. In particular, NCUA has requested comment on issues related to requirements for pass-through deposit insurance coverage of employee benefit plan accounts, which were mandated by recent legislation, the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (Pub. L. 109-173) (Conforming Amendments Act).

As an initial matter, NAFCU commends the Agency for seeking comment on the vital issue of American employee retirement security. NAFCU firmly believes that Americans must save more to maintain financial security and to provide for their retirement and actively supports the Agency as it seeks to facilitate the saving efforts of the nation's workers.

NCUA's Rules and Regulations currently only grant full insurance coverage to the interests of plan participants who are also members of the credit union in which the account is maintained. NCUA's final interim rule did not change this and the Rules continue to provide coverage in accordance with the example for retirement funds currently provided in the appendix to NCUA's insurance rule. 12 CFR Appendix A, Part G, Examples 3 and 3(a). Therefore, the interests of non-members and those member interests not capable of evaluation are only insured in the aggregate up to \$100,000.

According to NCUA, however, the language of the Conforming Amendments Act may provide greater authority for the agency to provide pass-through coverage on a per-

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participant basis. The statutory language in question defines pass-through coverage as, "insurance coverage based on the interest of each participant" and makes no reference to the membership status of each participant. This view of the legislation is bolstered by the legislative history of the Reform Act, which NCUA states demonstrates congressional intent to achieve a national goal of retirement security for all Americans. NAFCU agrees with NCUA's analysis of the legislation and its history and believes the Agency has the authority to extend pass-through insurance coverage to non-member interests in employee benefit plans.

In contemplation of this greater authority, NCUA is seeking comment on whether and how to extend pass-through coverage to non-member interests. Specifically, the agency seeks comment on whether pass-through coverage should be: (1) Provided as it is currently, meaning non-member interests will have limited aggregate insurance; (2) extended to provide full coverage to non-member participants; or (3) extended to provide full coverage to non-member participants as long as there is a membership connection such as the employer or trustee is a member or if some percentage of plan participants are members.

As noted above, based upon the language of the Conforming Amendments Act, NAFCU believes that NCUA possesses the necessary authority to extend pass-through insurance coverage to non-members. Therefore, NAFCU supports a final regulation providing full share deposit insurance coverage to non-member employee interests in employee benefit plan accounts. However, NAFCU believes that coverage should be permitted only in cases where either the employer or the trustee of the employee benefit plan is a member of the credit union. NAFCU does not support a minimum member percentage-requirement before coverage can be extended. If NCUA were to impose such a requirement, NAFCU would encourage the Agency to set the minimum at no higher than 10 percent.

NAFCU commends the agency's efforts to enhance the ability of the nation's credit unions to assist American workers save for retirement and would like to thank you for this opportunity to share its views on the interim final rule. Should you have any questions or require additional information please call me or Bill Hall, NAFCU's Associate Director of Regulatory Affairs, at (703) 522-4770 or (800) 336-4644 ext. 268.

Sincerely,



Fred R. Becker, Jr.  
President/CEO