



IDAHO
CENTRAL
CREDIT UNION



14

Administrative Office
P.O. Box 246
Pocatello, ID 83201
(208) 478-3300

JUN 12 '06 AM 7:49 BOARD

June 1, 2006

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

To Whom It May Concern:

In light of recent changes brought about by the Federal Deposit Insurance Reform Conforming Amendments Act of 2005, I respectfully propose that Interest on Lawyers Trust Accounts (“IOLTA”) and Real Estate Escrow Trust Accounts be afforded the same “pass-through” insurance coverage now provided to employee benefit plans under this Act.

The basis for making this request is threefold. First, our confidence in certain systems in society forms the foundation for the strength and stability that we trust and enjoy within those systems. Certainly our system of retirement is one of those, hence a reason for the pass-through protection now provided by the Act. Equally important is the confidence and faith placed in our legal system and the financial aspects of it. Clients, whose attorneys would choose to maintain their IOLTA with a credit union, deserve the same protection as those who trust employers with their retirement. Safeguarding the funds of those participating in real estate transactions is vital also. Few transactions in the lives of our members will be as big or as important as the buying or selling of their homes. Real estate brokers are entrusted with funds that are often the result of hard work and sacrifice on the part of our members in achieving this part of the American dream. As such, they warrant protection.

Second, I believe one reason given by the NCUA in providing pass-through coverage on retirement accounts applies to IOLTAs and Real Estate Escrow Trust Accounts as well. Clients don’t control or determine where the funds placed with their attorney or real estate broker are maintained and, “therefore, as a matter of fairness,” should be provided with pass-through coverage without the requirement of being members themselves.

Furthermore, Section 745.0 of the NCUA Rules and Regulations regarding share insurance states, “For the purposes of applying the rules in this Part, it is presumed that the owner of funds in an account is an insured credit union member or otherwise eligible to maintain an insured account in a credit union. These rules do not extend insurance coverage to persons not entitled to maintain an insured account or to account relationships that have not been approved by the Board as an insured account.” (Underlining and Italics added). The case could be made that the language allows for the interpretation that non-members, otherwise “eligible” for or “entitled” to membership based on the credit union’s criteria, can be provided with insurance coverage as owners

unds in an IOLTA or Real Estate Escrow Trust Account without actually becoming
bers. At the very least, the language allows the NCUA the flexibility to make the
sted change within the existing rules.

, clients consider their attorneys and real estate brokers completely responsible for
s within their control. If those funds are lost, the attorney or broker becomes liable.
ent rules undermine the attorney's or broker's ability to claim protection for the
if deposited with a credit union and the credit union's ability to provide it. If
l, it's likely most members with funds in these account types operate under the
nption that funds are insured. Many attorneys and brokers may assume the same,
ng a false sense of security for all parties involved. By not insuring these funds,
and member confidence in the real estate, legal and financial systems could be
ished. Pass-through coverage would nullify these concerns for attorneys, real estate
ers, their clients, and credit unions alike.

n our field of membership, we have relationships with many real estate brokers and
eys that are continually asking us why we don't offer these types of accounts. We
all of their business except the Real Estate Escrow Trust Account or IOLTA due to
of insurance coverage. Current rules prevent us from being able to serve our
pers needs and forces them to maintain an account at a bank. This is frustrating and
venient for them. We believe current NCUA policy creates a large competitive
vantage for most credit unions.

requesting that current NCUSIF rules be modified to include "pass-through"
age for funds in IOLTA and Real Estate Escrow Trust Accounts. In making this
st, I agree with the NCUA in limiting credit unions who can accept these account
to only those that are "well capitalized or adequately capitalized" as defined by the
al Credit Union Action, Section 216 (c). These changes would strengthen
dence in the system, protect clients, help alleviate liability for attorneys and real
brokers, and allow credit unions to protect and serve the needs of their members.

ks for your consideration in this matter.

rely,



Dram,
ative Vice President, Idaho Central Credit Union