



June 20, 2006

Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

**Re: Comments on Interim Final Part 745, Share Insurance and Appendix**

Dear Ms. Rupp:

On behalf of the California and Nevada Credit Union Leagues, I appreciate the opportunity to comment on the National Credit Union Administration's (NCUA) interim final rule regarding share insurance coverage. The California and Nevada Credit Union Leagues (Leagues) are the largest state trade association for credit unions in the United States, serving the interests of more than 450 member credit unions and their 9 million members.

The Leagues welcome all of the amendments contained in the interim final rule. These changes will allow federally-insured credit unions to remain competitive, provide necessary flexibility to NCUA, and serve to increase public confidence in the NCUSIF. We commend the NCUA for acting so expeditiously in getting these changes implemented.

We are also pleased that NCUA believes it is appropriate to extend full insurance coverage to all participants in an employee benefit plan, regardless of the participants' membership status (i.e., pass-through coverage). We believe pass-through coverage should be based on the plan trustee, or employer sponsoring the plan, being a member of the credit union, and not on some percentage of plan participants being members. This approach is fairer to all participants of a plan—who may not have control over where their employee benefit plans are maintained—and involves much less administrative burden for credit unions, who would only have to identify and verify the membership eligibility of one person/entity, instead of many.

In addition, the Leagues would like to recommend that should NCUA adopt pass-through coverage to non-member participants as long as there is a membership connection with the employer or trustee, it would be reasonable to revisit the agency's position on Interest on Lawyers Trust Accounts (IOLTA, aka Attorney-Client Trust Accounts). For many credit unions, IOLTA accounts present a significant opportunity to develop and enhance financial services relationships with members—and potential members—who practice law. However, these credit unions face two significant limitations in being able to offer them:

- The membership requirement for IOLTA accounts: As discussed in NCUA Legal Opinion Letter No. 96-0841, all clients whose funds would be deposited must be members in order to maintain an IOLTA account. This is an onerous requirement, as it can be extremely difficult to: 1) find out who an attorney's clients are; 2) determine whether those clients are eligible for membership; and 3) have the clients join, if permissible. However, if NCUA decides to allow employee benefit plans—a type of fiduciary account—to be established and insured without requiring all participants to be members, it stands to reason that IOLTA accounts (also a type of fiduciary account) should be permitted to be established in the same fashion. Our view is that IOLTA accounts should be permitted to be maintained as long as the attorney is a member of the credit union.
  
- Insurance coverage for IOLTA accounts: IOLTA accounts are insured as agent accounts under NCUA Rules and Regulations §745.3(a)(2). Under this section, client funds in an IOLTA account are added to any individual account of the client and insured up to the “standard maximum deposit insurance amount” (SMDIA, currently at \$100,000). Employee benefit plans, however, are insured separately from other accounts of the plan participants (§745.9). The Leagues believe that consideration should be given as to whether it is fair to insure these funds dissimilarly. Perhaps extending pass-through insurance coverage to IOLTA accounts would be in order. (We understand that FDIC insurance rules are similar to NCUA's in this regard, and such a change would require coordination with that agency.)

In closing, the California and Nevada Credit Union Leagues would like to thank the NCUA for the chance to comment on this interim final rule. We fully support all the amendments contained in it, and appreciate the opportunity to provide our position regarding IOLTA accounts.

Sincerely,



Bill Cheney  
President/CEO