

NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION 1775 Duke Street, Alexandria, VA 22314

DATE: October 1999 **Letter No.:** 99-CU-17

TO: Federally Insured Credit Unions

SUBJ: Guidance for Credit Unions that Use More than One Name

A limited number of federal credit unions and federally-insured state-chartered credit unions operate under more than one name. This practice may result from a merger, or it may be based on a credit union's marketing strategy. Regardless of the reasons for the practice, NCUA is aware that some credit unions find it beneficial in serving their members and that it is specifically authorized by state law for some state-chartered credit unions. We are concerned, however, that the practice may cause confusion for members and others in their dealings with credit unions.

For example, if two branches of the same credit union are operated under different names, members might believe they are dealing with two different institutions with separate share insurance coverage. In such a case, members might deposit excess amounts in different branches of the same institution and exceed insurance limits. Also, because NCUA and the state supervisors track credit unions by charter name, confusion may result in the event of an inquiry that identifies a credit union by a different name.

After consultation with state credit union supervisors, we offer this guidance. A federally-insured credit union that uses more than one name should take reasonable steps to ensure that members and others are not confused or misled in their dealings with the credit union. Such steps may include, but are not limited to:

1. Disclosing, clearly and conspicuously, in signs, advertising, mailings, and similar materials that different branches or facilities are a branch, unit, or division of the same insured credit union. Language, such as "affiliated with," that does not clearly indicate a single credit union, should be avoided. NCUA regulations require that federally-insured credit unions not use any advertising, displays, signs, stationery, or other promotional material that is "inaccurate or deceptive in any particular." 12 C.F.R. §740.2.

2. Using the legal name of the credit union for legal documents, certificates of deposit, signature cards, loan agreements, account statements, checks, drafts, and other similar documents.
3. Educating staff of the credit union regarding the possibility of member confusion with respect to share insurance. A federally-insured credit union should instruct staff to inquire of members, prior to opening new accounts, whether they have accounts with the credit union at its other branches or facilities operated under a different name. In addition, in the event of a merger, during the time period soon after the merger, staff should call members' attention to disclosures that identify a particular branch or facility as part of the continuing credit union.
4. Obtaining from members opening new accounts a signed statement acknowledging that they are aware that the differently named branches or facilities are, in fact, part of the same credit union and that shares held at each office are not separately insured.

If your credit union operates under more than one name, we thank you for your attention to these concerns. If you have any questions or comments, please contact either your NCUA Regional Director or your state supervisory authority.

Sincerely,

/s/

Carolyn D. Jordan
Executive Director
Nation Credit Union Administration