



December 12, 2008

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

Dear Ms. Rupp:

RE: Share Insurance for Revocable Trust Accounts

On behalf of the California and Nevada Credit Union Leagues, I appreciate the opportunity to comment on NCUA's amendments to its share insurance rules. The interim final rules, which are intended to simplify coverage for revocable trust accounts, eliminate the concept of "qualifying beneficiaries" and—for members with revocable trust accounts totaling no more than five times the Standard Maximum Share Insurance Amount ("SMSIA," which is currently at \$250,000)—set insurance coverage without regard to the proportional beneficial interest of each beneficiary in the trust. By way of background, the California and Nevada Credit Union Leagues (Leagues) are the largest state trade associations for credit unions in the United States, representing the interests of more than 400 credit unions and their 9 million members.

The Leagues are pleased to support the changes, and agree with NCUA that they will serve to make these rules easier to understand, result in faster share insurance determinations in the event of a credit union closing, and help improve public confidence in the credit union system. We believe the rules effectively address the unfairness of limiting coverage to only certain beneficiaries, while imposing a reasonable coverage limit based on the beneficial interests of the trust beneficiaries. Further, it is our opinion that this change will assist federally-insured credit unions in the reporting to NCUA—via Call Reports—of insured and uninsured shares, although we respectfully urge the agency to provide credit unions with further guidance on this subject as soon as is practicable.

While we support the changes, we do have two suggested modifications to the interim rules:

- The interim rules do not immediately make clear the coverage amount for revocable trust accounts with aggregate balances equal to or less than five times the SMSIA, and with five or fewer beneficiaries. It is not until reading §745.4(e)—which contains the provision and example for trust accounts that

exceed that threshold—that the maximum coverage for those accounts below the threshold becomes apparent. Therefore, we recommend that NCUA add additional language in §745.4(a)(*General rule*) to make this clear. We believe this language would be most appropriately placed immediately after the first sentence of this section.

- It is our opinion that the examples throughout the interim final rule should be revised to reflect the recent increase in the SMSIA from \$100,000 to \$250,000. While we understand that the increase in the SMSIA is intended to expire at the end of next year, we believe that the clarity of the rule—both for consumers and credit union staff—is negatively impacted by including examples based on the lower SMSIA. Further, we feel that providing confusing, lower-coverage examples could weaken the increased consumer confidence intended to be fostered by granting higher insurance coverage amounts.

Finally, I would like to take this opportunity to urge NCUA to continue to aggressively pursue the issue of unlimited share insurance coverage for credit union member and business accounts through the Transaction Account Guarantee Program. The exclusion of credit unions from this program not only places them at a competitive disadvantage relative to banks, but also serves to undermine important efforts—such as this interim final rule—designed to instill public confidence in all financial institutions during this critical time. The Leagues applaud NCUA for its recent initiatives (such as the Credit Union Homeowners Affordability Relief Program and the Credit Union System Investment Program) designed to assist credit union members, credit unions, and corporate credit unions. It is in that spirit that we now press the agency for continued leadership regarding the issue of unlimited share insurance coverage.

In closing, I would like to thank NCUA for the opportunity to comment on this issue. As always, we appreciate your consideration of our views.

Sincerely,



Bill Cheney
President/CEO
California and Nevada Credit Union Leagues