

Comments on Share Insurance for Revocable Trust Accounts Interim Final Rule: 12 CFR Part 745

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1	Q	Is “over \$500,000/\$1,250,000” the proper threshold for determining coverage based on the beneficial interests of the trust beneficiaries?
	A	Yes.
2	Q	Should NCUA’s revocable trust account rules, 12 CFR 745.9-1, be revised so that all trusts are covered by substantially the same rules?
	A	<p>Yes, however, a significant but fundamental problem currently exists with regard to calculating the correct amount of share insurance per account when beneficiaries are involved. This is an issue that we believe NCUA needs to address. Current regulations under section 745.4(e) indicate that for a living trust account to qualify for coverage provided under this paragraph (e), the records of the credit union must reflect that the funds in the account are held pursuant to a formal revocable trust, but the credit union’s records need not indicate the names of the beneficiaries of the living trust or their ownership interests in the trust. Yet, in order to comply with insurance fund deposit requirements and regulatory reporting for insured shares, there is a tremendous operational burden on credit unions to maintain records of the names of beneficiaries in their core processing systems to accurately calculate and report insured shares.</p> <p>Much of this issue stems from beneficiary information stored on paper membership agreements rather than in the core system. As such, beneficiary payouts are made based on reviewing the legal membership agreements, not the core processing system. The effort required to manually review and transfer all beneficiary information from paper records to the core system would be extremely burdensome and costly.</p> <p>As a result, it has not been feasible to accurately and efficiently extract the number of beneficiaries or beneficiary names on accounts to calculate coverage associated with Revocable Trust accounts. In addition, since we are not required to maintain beneficiary information for formal Living Trust accounts, accurate insurance coverage cannot easily be determined for these types of accounts and is rather conflicting. It is easier to classify all deposits as insured to avoid the effort required to do it properly; however, such a maneuver also avoids the true purpose behind the regulation.</p> <p>We firmly believe in accurate reporting and fully comprehend the need to accurately determine the amount of shares eligible for insurance coverage, but the requirements to determine the amount of insurance available to POD and formal trust accounts are simply not practical.</p>
3	Q	What effect will the interim rule have on the level of insured shares?
	A	<p>Since less than 1% of our member accounts are below the Standard Maximum Share Insurance Amount (SMSIA), the interim rule will have little effect on our insured shares. The majority of our trust accounts has an equal distribution of beneficial interest as well as named, qualifying beneficiaries. However, this rule will allow members more freedom to designate beneficiaries without such restrictions.</p>