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December 22, 2008

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

RE: Interim Final Rule on Display of Official Sign; Temporary Increase in Standard Maximum Share Insurance Amount; Coverage of Custodial Loan Accounts

Dear Ms. Rupp:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions (FCUs), I am responding to the request for comments by the National Credit Union Administration (NCUA) regarding its Interim Final Rule (interim rule) on the display of NCUA's official sign, the temporary increase in Standard Maximum Share Insurance Amount (SMSIA) and the coverage for custodial loan accounts.

NCUA's interim rule addresses three important matters related to share insurance. First, the interim rule implements a temporary increase of the SMSIA from $100,000 to $250,000 as provided in the Emergency Economic Stabilization Act of 2008 (EESA). Second, to allow credit unions to reflect this temporary increase, the interim rule provides three options for displaying NCUA's official sign under Part 740 of NCUA's Rules and Regulations. Third, the interim rule makes changes to characterization and coverage of custodial loan accounts. NAFCU strongly supports each aspect of the interim rule and provides the following specific comments.

**Temporary Increase of the SMSIA and Display of Official Sign**

NAFCU commends NCUA for swiftly implementing the temporary increase in share insurance coverage as provided for in the EESA. We are especially gratified that NCUA invoked the *good cause* exception to the requirements of the Administrative Procedures Act, which generally requires that a rulemaking have a delayed effective date of thirty days after publication of a final rule in the *Federal Register*. By invoking the exception, NCUA was able to make the amendments to its regulations to temporarily increase its share insurance coverage effective upon publication of the interim rule, which was October 22, 2008. NAFCU believes this action represents a prudent application of administrative law principles to ensure that Congressional intent is realized.

NAFCU also supports NCUA's approach to address the impact that the temporary increase in share insurance coverage has on the display of NCUA's official sign. The current sign, which states that coverage is limited to $100,000, would understate the actual coverage limit of $250,000. NCUA, recognizing the cost of requiring display of a sign reflecting the temporary increases, affords federally insured credit unions the following three options: 1) to continue to display the current sign; 2) display a version of the sign showing the increase in coverage; or 3) physically alter the current sign, such as by affixing a sticker, to show the temporary increase.

NAFCU applauds NCUA's actions to provide credit unions with flexible options in meeting signage requirements. NCUA correctly recognizes that requiring a revised sign for the temporary increase would be an expensive and burdensome proposition. We agree with the NCUA. In addition to the cost and burden, credit unions and their members would realize limited benefits from a regulatory requirement to display a new sign. Under the interim rule, each credit union can determine whether making changes to the current sign justifies the cost and burden associated. We believe such flexibility is warranted and, accordingly, fully support this aspect of the interim rule.

**Custodial Loan Accounts**

The interim rule also makes changes to characterization and coverage of custodial loan accounts. Specifically, consistent with Federal Deposit Insurance Corporation (FDIC) regulations, accounts maintained by a mortgage servicer in custodial or other fiduciary capacity would be referred to as "mortgage servicing accounts" instead of the present "custodial loan accounts." Also, the coverage for these accounts would be expanded to the principal and interest portion of a mortgagor's payment separately from the mortgagor's individual accounts. The taxes and insurance premiums portion of mortgagors' payments will continue to be added together with the mortgagor's individual accounts and insured in the aggregate.

NAFCU supports both the change of terms to "mortgage servicing accounts" and the expansion of coverage to separately insure principal and interest portions of a mortgagor's payment from the mortgagor's individual accounts. As we have indicated on numerous occasions in different contexts, achieving parity with FDIC-insured institutions wherever possible should be a consistent goal of both the credit union industry and NCUA. This is especially important in share insurance coverage, as lack of parity creates unnecessary and unfair obstacles to credit unions' efforts to meet their members' needs. We agree that the treatment of principal and interest would provide greater and fairer coverage for credit union members. As the interim rule brings insurance coverage for credit union members more in-line with FDIC insurance coverage, we strongly support the move.

NAFCU appreciates this opportunity to share its comments on this interim rule. Should you have any questions or require additional information please call me at (703) 522-4770 or (800) 336-4644 ext. 268.

Sincerely,

Tessema Tefferi
Associate Director of Regulatory Affairs