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November 5, 2008

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

Re: National Credit Union Administration; 12 CFR Part 740 Accuracy of Advertising and Notice of Insured Status; 73 Federal Register 3 62935, October 22, 2008

Dear Ms. Rupp:

The American Bankers Association (ABA) is responding to the proposed rule published by the National Credit Union Administration (NCUA) to amend signage of insurance status. ABA brings together banks of all sizes and charters into one association. ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members – the majority of which are banks with less than \$125 million in assets – represent over 95 percent of the industry's \$12.7 trillion in assets and employ over 2 million men and women.

Currently, NCUA requires that teller stations that serve both federally insured credit unions and nonfederally insured credit unions list each federally insured credit union served by the teller. NCUA proposes to replace this list with a statement that not all of the credit unions served by the teller are federally insured and that members should contact their credit union if they need more information. Rather than eliminating the requirement of a sign listing each federally insured credit union, ABA believes that NCUA could require this sign to list only those credit unions that are not federally-insured.

Background

Section 740.4 of NCUA's rules requires that a federally-insured credit union continuously display the official NCUA sign at every teller station or window where insured funds or deposits are normally received. Section 740.4(c) requires that tellers accepting share deposits for both federally insured credit unions and non-federally insured credit unions also post a second sign adjacent to the official NCUA sign listing each federally insured credit union served by the teller along with a statement that only these credit unions are federally insured.

In justifying the proposed change in the rule, NCUA wrote that the nature of shared branches has changed, since adopting the requirement for a second sign back in 1971. Initially, shared branches were local operations involving just a few credit unions. Now,

some shared branch networks are national in scope and service hundreds, if not thousands, of individual credit unions. Due to this evolution of shared branch networks, it is now difficult for some tellers to comply with this second signage as the vast majority of credit unions participating in the shared branch are federally insured. Therefore, NCUA is proposing to revise the rule to replace the required listing of credit unions with a statement that not all of the credit unions served by the teller are federally insured and that members should contact their credit union if they need more information.

ABA's Position

ABA believes that in circumstances where federally insured and nonfederally insured credit unions are using the same shared branch, there is a strong possibility that customers using shared branch networks could become confused about the insurance status of their credit union. Therefore, under ideal circumstances, deposit taking activities for nonfederally insured and federally insured credit unions should be segregated to ensure there is no confusion.

In fact, NCUA recognized this potential for confusion when it issued its 1993 letter to credit unions regarding the sale of nondeposit investments. NCUA wrote that deposit-taking should be separated from nondeposit sales functions to avoid potential member confusion.

However, there may be scenarios where it is not possible to segregate nonfederally insured deposit taking activity from federally insured deposit taking functions. ABA does not disagree with NCUA's assessment that the requirement to list each participating federally-insured credit union would be problematic. But ABA believes that the appropriate change should be to require the second sign to list those credit unions that are not federally-insured.

As of June 2008, there were 163 nonfederally insured credit unions and just 41 participated in a shared branching network. Since there are few nonfederally insured credit unions participating in shared branch networks, the requirement for listing nonfederally insured credit unions would address NCUA's concerns that (1) members have to sift through a lengthy list to ascertain their credit unions insurance status and (2) that the signs have become large and obtrusive. Most importantly, it would also limit any possibility with regard to member confusion about the federal insurance status of their savings. It would also save tellers from having to search the list and answer questions that would naturally arise from the proposed requirement.

Please feel free to contact the undersigned, if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Leggett". The signature is written in a cursive, slightly slanted style.

Keith Leggett