CREDIT UNION ASSOCIATION of Oregon

December 3, 2008

Mary Rupp, Secretary of the Board
National Credit Union Administration
Re: 12 CFR Part 745, RIN 3133-AD54
Share Insurance for Revocable Trust Accounts
Sent via email: regcomments@ncua.gov

The Credit Union Association of Oregon (CUAO) is a nonprofit, professional trade association representing Oregon's state, community, and federally chartered credit unions. Since 1936, CUAO has been at the forefront of credit union issues at the state, regional, and national level, and provides a voice for Oregon's 4 million credit union members on issues impacting credit unions at a local level.

We appreciate the opportunity to comment on the rule changes for share insurance coverage on revocable trust accounts. CUAO, on behalf of our member credit unions, is supportive of the changes outlined in the interim final rule.

One of the most favorable and welcome changes is the elimination of the concept of "qualifying beneficiaries". This change has several benefits for members and credit unions. Under the new rule members will be insured based on beneficiaries that are natural persons, charitable organizations, or other non-profit entities. Members will no longer be limited to naming beneficiaries that are their parent, sibling, spouse, child, or grandchild consequently limiting their ability for maximum insurance coverage when they named other persons with close or extended familial ties (nieces, nephews, cousins, etc.). The interim rule permits insurance coverage for members that name beneficiaries that are extended family as well as other persons of importance, including significant others or friends. Additionally, members will be insured if they elect charities as beneficiaries. This change offers members greater flexibility and fairness in estate planning without compromising their insurance benefits.

Credit unions will also benefit from the discontinuation of "qualifying beneficiaries" because they will no longer need to ascertain the relationship between the account owner and the beneficiaries to determine insurance coverage for these types of accounts. This will definitely aid credit union staff in explaining and calculating insurance coverage for these types of accounts. It is noted FDIC made similar changes to the rules for revocable trust insurance coverage. Credit unions should have parity with the other major government insurer and regulator to preserve consumer confidence and the value of credit union membership.

In light of the discontinuation of "qualifying beneficiaries", NCUA needed to place some limitations on the amount of coverage to avoid the potential for unlimited coverage in the revocable trust category. The interim rule indicates that accounts with less than five times the SMSIA (currently $1,250,000 until Dec. 31, 2009) and with five or fewer beneficiaries will be insured based on the number of beneficiaries multiplied by the SMSIA (currently $250,000 until Dec. 31, 2009), and then multiplied by the number of owners. For those accounts that exceed an aggregate balance of five time the SMSIA *and* have more than five beneficiaries, the accounts will be insured to the greater of five times the SMSIA or the aggregate of the interest of each beneficiary to a limit of the SMSIA per different beneficiary. We support the proposed limitations as outlined and concur with the NCUA that this would cover the majority of revocable trust accounts held at a credit union.

Another aspect of the interim rule is to continue to abide by the revocable trust insurance calculation rules in instances whereupon death of the owner(s) of a revocable trust it would convert to an irrevocable trust account. Previously, at death and upon conversion to an irrevocable trust, insurance would be calculated under the irrevocable trust rules per 12 CFR 745.9-1. We agree that this is confusing and difficult to explain to members. For simplification in education and calculation of insured shares, we agree that revocable trust accounts should continue to be insured as revocable trust accounts even though these accounts naturally convert to irrevocable trusts upon death of the owner(s).

In closing, we commend NCUA for taking this action to make the insurance rules easier to understand and administer. Moreover, this positive action makes the rules more fair and reasonable to members and potential members. The changes will go a long way in instilling confidence during these challenged economic times and in ensuring credit unions are a safe and sound consumer choice. Again, we sincerely appreciate the opportunity to comment on proposed rule changes such as this interim final rule.

Please feel free to contact me with any questions; I can be reached at 800-688-6098 ext. 214 or Jenniferg@cuao.org.

Respectfully Submitted,

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