NAVY FEDERAL CREDIT UNION

Office of the President

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May 23, 2005

FEDERAL TRADE COMMISSION
RECEIVED DOCUMENTS
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SECRETARY

Federal Trade Commission
Office of the Secretary
Room 159-H (Annex Y)
600 Pennsylvania Avenue, NW.
Washington, DC 20580

Re: Proposed Rule for FDICIA Disclosures,
Matter No. R411014

Dear Madam/Sir:

Navy Federal Credit Union provides the following comments on the proposal regarding disclosures of privately insured credit unions and their share insurance coverage. Navy Federal is the world's largest natural person credit union with over $24 billion in assets and 2.5 million members.

Navy Federal strongly believes that all credit unions, regardless of their charter, should be required to acquire federally backed share insurance. We believe it is important that consumers choosing credit unions as their depository financial institutions receive deposit protections backed by the full faith and credit of the United States government.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) was a step in the right direction. The FDICIA, among other things, added section 43 which requires depository institutions lacking federal insurance to: (1) include conspicuously in all periodic statements and account records a statement that the institution is not federally insured, and that if the institution fails, the government does not guarantee that depositors will get back their money; (2) include in all advertising and at each location where the depository institution's account funds or deposits are normally received a statement that the institution is not federally insured; and (3) obtain from their new and existing depositors signed acknowledgments of the fact that the institution is not federally insured. Additionally, in 2003, Congress gave the Federal Trade Commission (FTC) authority to use resources to enforce section 43. We believe that full implementation and enforcement of section 43 would inform members of non-federally insured credit unions that their funds are not backed by the United States government.

The proposal specifically requests comments on the exception to the disclosure requirements for certain depository institutions that do not receive initial deposits of less than $100,000. Navy Federal agrees that this exception is appropriate but believe the $100,000 requirement should not be hard wired into the final rule. Currently, H.R. 1185 proposes to increase the federal deposit insurance limit. If passed, the insurance limit would be raised to \$130,000 as well as indexed to inflation every five years. While we understand the \$100,000 limit stated in the proposal is not specifically tied to federal deposit insurance limits, we feel that this is an appropriate basis for determining the minimum initial deposit needed to qualify for the exemption.

Navy Federal also believes that the use of "conspicuous" in the proposed rule should be consistent with other existing regulations and that each organization should be allowed to craft their notices in a way that best highlights the required information within the broader context of their advertising and promotional documents. We understand that there are a number of ways (changes in font and color, bolding or italicizing language) an organization can structure a document to call attention to information. We agree that the disclosures do need to be conspicuous but request the FTC allow each organization flexibility within the rule.

The FTC specifically requests comments regarding the effective date period for the final requirements. Navy Federal believes that giving institutions 180 days from the day of publication is reasonable to comply with the all section 43 requirements.

We appreciate the opportunity to provide these comments on the proposal regarding disclosure of privately insured credit unions and their share insurance coverage.

Sincerely,

Cutler Dawson
President/CEO

CD/tg