

**§ 745.203**

(2) The determination by the Board on appeal shall be provided to the accountholder in writing, stating the reason(s) for the determination, and shall constitute a final Agency order regarding the accountholder's claim for insurance.

(3) If the Board determines that the accountholder is entitled to the amount of insurance claimed or a portion thereof, upon payment of such insurance the accountholder shall promptly surrender to the Board the certificate of claim in liquidation provided in connection with the initial determination. In the event that the Board determines that the accountholder is only entitled to a portion of the amount of insurance claimed, upon the accountholder's surrender of such certificate a new certificate of claim in liquidation will be provided which reflects the revised amount of the uninsured account.

(4) Failure by the Board to issue a determination on appeal of the accountholder's claim for insurance within the 180-day period provided for under paragraph (d)(1) of this section, shall be deemed to be a denial of such claim for purposes of § 745.203 of this subpart.

[55 FR 5586, Feb. 16, 1990, as amended at 59 FR 36041, July 15, 1994]

**§ 745.203 Judicial review.**

(a) For purposes of seeking judicial review of actions taken pursuant to this subpart, only a determination on appeal issued by the Board pursuant to § 745.202 of this subpart shall constitute a final determination regarding an accountholder's claim for insurance.

(b) Failure to file an appeal with regard to an initial determination, or a decision rendered on a request for reconsideration with the applicable time periods shall constitute a failure by the accountholder to exhaust available administrative remedies and, due to such failure, any objections to the initial determination or request for reconsideration shall be deemed to be waived and such determination shall be deemed to have been accepted by, and binding upon, the accountholder.

(c) Final determination by the Board is reviewable in accordance with the provisions of chapter 7, title 5, United

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States Code, by the United States district court for the Federal judicial district where the credit union's principal place of business is located. Such action must be filed not later than 60 days after such final determination is ordered.

[51 FR 37560, Oct. 23, 1986, as amended at 71 FR 67440, Nov. 22, 2006]

**APPENDIX TO PART 745—EXAMPLES OF INSURANCE COVERAGE AFFORDED ACCOUNTS IN CREDIT UNIONS INSURED BY THE NATIONAL CREDIT UNION SHARE INSURANCE FUND**

**WHAT IS THE PURPOSE OF THIS APPENDIX?**

The following examples illustrate insurance coverage on accounts maintained in the same federally-insured credit union. They are intended to cover various types of ownership interests and combinations of accounts which may occur in connection with funds invested in insured credit unions. These examples interpret the rules for insurance of accounts contained in 12 CFR part 745.

The examples, as well as the rules which they interpret, are predicated upon the assumption that: (1) Invested funds are actually owned in the manner indicated on the credit union's records and (2) the owner of funds in an account is a credit union member or otherwise eligible to maintain an insured account in a credit union. If available evidence shows that ownership is different from that on the institution's records, the National Credit Union Share Insurance Fund may pay claims for insured accounts on the basis of actual rather than ostensible ownership. Further, the examples and the rules which they interpret do not extend insurance coverage to persons otherwise not entitled to maintain an insured account or to account relationships that have not been approved by the Board as an insured account.

*A. How Are Single Ownership Accounts Insured?*

All funds owned by an individual member (or, in a community property state, by the husband-wife community of which the individual is a member) and invested in one or more individual accounts are added together and insured to the \$100,000 maximum. This is true whether the accounts are maintained in the name of the individual member owning the funds, in the name of the member's agent or nominee, or in a custodial loan account on behalf of the member as a borrower. (§ 745.3(a) (1), (2) and (3).) All such accounts are added together and insured as one individual account. Funds held in one or more accounts in the name of a guardian, custodian, or conservator for the benefit of a ward

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or minor are added together and insured up to \$100,000. However, such an account or accounts will not be added to any other individual accounts of the guardian, custodian, conservator, ward, or minor for purposes of determining insurance coverage. (§ 745.3(b).)

### Example 1

**Question:** Members A and B, husband and wife, each maintain an individual account containing \$100,000. In addition, they hold a joint account containing \$100,000. What is the insurance coverage?

**Answer:** Each account is separately insured up to \$100,000, for a total coverage of \$300,000. The coverage would be the same whether the individual accounts contain funds owned as community property or as individual property of the spouses (§ 745.3(a)(1) and § 745.8(a)).

### Example 2

**Question:** Members H and W, husband and wife, reside in a community property state. H maintains a \$100,000 account consisting of his separately-owned funds and invests \$100,000 of community property funds in another account, both of which are in his name alone. What is the insurance coverage?

**Answer:** The two accounts are added together and insured to a total of \$100,000. \$100,000 is uninsured (§ 745.3(a)(1)).

### Example 3

**Question:** Member A has \$92,500 invested in an individual account, and his agent, Member B, invests \$25,000 of A's funds in a properly designated agency account. B also holds a \$100,000 individual account. What is the insurance coverage?

**Answer:** A's individual account and the agency account are added together and insured to the \$100,000 maximum, leaving \$17,500 uninsured. The investment of funds through an agent does not result in additional insurance coverage for the principal (§ 745.3(a)(2)). B's individual account is insured separately from the agency account (§ 745.3(a)(1)). However, if the account records of the credit union do not show the agency relationship under which the funds in the \$25,000 account are held, the \$25,000 in B's name could, at the option of the NCUSIF, be added to his individual account and insured to \$100,000 in the aggregate, leaving \$25,000 uninsured (§ 745.2(c)).

### Example 4

**Question:** Member A holds a \$100,000 individual account. Member B holds two accounts in his own name, the first containing \$25,000 and the second containing \$92,500. In processing the claims for payment of insurance on these accounts, the NCUSIF discovers that the funds in the \$25,000 account actually belong to A and that B had invested

these funds as agent for A, his undisclosed principal. What is the insurance coverage?

**Answer:** Since the available evidence shows that A is the actual owner of the funds in the \$25,000 account, those funds would be added to the \$100,000 individual account held by A (rather than to B's \$92,500 account) and insured to the \$100,000 maximum, leaving \$25,000 uninsured. (§ 745.3(a)(2).) B's \$92,500 individual account would be separately insured.

### Example 5

**Question:** Member C, a minor, maintains an individual account of \$750. C's grandfather makes a gift to him of \$100,000, which is invested in another account by C's father, designated on the credit union's records as custodian under a Uniform Gift to Minors Act. C's father, also a member, maintains an individual account of \$100,000. What is the insurance coverage?

**Answer:** C's individual account and the custodian account held for him by his father are each separately insured: The \$100,000 maximum on the custodian account, and \$750 on his individual account. The individual account held by C's father is also separately insured to the \$100,000 maximum. (§ 745.3 (a)(1) and (b).)

### Example 6

**Question:** Member G, a court-appointed guardian, invests in a properly designated account \$100,000 of funds in his custody which belong to member W, his ward. W and G each maintain \$25,000 individual accounts. What is the insurance coverage?

**Answer:** W's individual account and the guardianship account in G's name are each insured to \$100,000 providing W with \$125,000 in insured funds. G's individual account is also separately insured. (§ 745.3 (a)(1) and (b).)

### Example 7

**Question:** X Credit Union acts as a servicer of FHA, VA, and conventional mortgage loans made to its members but sold to other parties. Each month X receives loan payments, for remittance to the other parties, from approximately 2,000 member mortgagors. The monies received each month total \$1,000,000 and are maintained in a custodial loan account. What is the insurance coverage?

**Answer:** X Credit Union acts as custodian for the 2,000 individual mortgagors. The interest of each mortgagor is separately insured as his individual account (but added to any other individual accounts which the mortgagor holds in the Credit Union) (§ 745.3(a)(3)).

### *B. How Are Revocable Trust Accounts Insured?*

The term "revocable trust account" includes a testamentary account, tentative or

“Totten” trust account, “payable-on-death” account, or any similar account which evidences an intention that the funds shall pass on the death of the owner of the funds to a named beneficiary. If the named beneficiary is a spouse, child, grandchild, parent, brother or sister (as defined in subsection 745.4(d)) of the owner, the funds in all such accounts are insured for the owner up to \$100,000 in the aggregate as to each such beneficiary. If the named beneficiary of a revocable trust account is other than the spouse, child, grandchild, parent, brother or sister of the account owner, the funds corresponding to that beneficiary shall be treated as an individually owned account of the owner, aggregated with any other individually owned accounts of the owner, and insured up to \$100,000. If a revocable trust account is held in the name of a fiduciary other than the owner of the funds, any other accounts held by the fiduciary are insured separately from such revocable trust account.

#### Example 1

Question: Member H invests \$200,000 in a revocable trust account with his son, S, and his daughter, D, as named beneficiaries. What is the insurance coverage?

Answer: Since S and D are children of H, the owner of the account, the funds are insured up to \$100,000 as to each beneficiary (§745.4(b)). Assuming that S and D have equal beneficial interests (\$100,000 each), H is fully insured for this account.

#### Example 2

Question: Member H invests \$100,000 in each of four “payable-on-death” accounts. Under the terms of each account contract, H has the right to withdraw any or all of the funds in the account at any time. Any funds remaining in the account at the time of H’s death are to be paid to a named beneficiary. The respective beneficiaries of the four accounts are H’s wife, his mother, his brother, and his nephew. H also holds an individual account containing \$100,000. What is the insurance coverage?

Answer: The accounts payable on death to H’s wife, mother and brother are each separately insured to the \$100,000 maximum (Sec. 745.4(b)). The account payable to H’s nephew is added to H’s individual account and insured to \$100,000 in the aggregate, leaving \$100,000 uninsured (Sec. 745.4(c)).

#### Example 3

Question: Member H and W jointly invest in a “payable-on-death” account for the benefit of their son, S, and daughter, D. The account is held by H and W with right of survivorship. What is the maximum insurance coverage available on the account?

Answer: Since S and D are the children of H and W, the account will be insured up to

\$100,000 as to each beneficiary separately from any accounts of the owner, H and W (§745.4(b)). H would be entitled to \$100,000 insurance for S and \$100,000 for D. W would be entitled to the same coverage for a total of \$400,000 on the account. However, upon the death of either H or W, insurance coverage would be reduced to \$200,000.

#### Example 4

Question: Member H invests \$200,000 in a revocable trust account held in connection with a living trust with his son, S, and his daughter, D, as named beneficiaries. What is the insurance coverage?

Answer: Since S and D are children of H, the owner of the account, the funds would normally be insured under the rules governing revocable trust accounts up to \$100,000 as to each beneficiary, (§745.4(b)). However, because this account is held in connection with a living trust whose named beneficiaries are qualifying beneficiaries under §745.4, it must be scrutinized to determine whether the account complies with all other provisions of this part. Assuming that the account complies with all other requirements of this part, then it will be treated as any other revocable trust. In this instance, it will be insured up to \$100,000 as to each beneficiary (§745.4(e)). Assuming that S and D have equal beneficial interests (\$100,000 each), H is fully insured for this account.

#### Example 5

Question: H creates a living trust providing for his wife to have a life estate interest in the trust assets with the remaining assets going to their two children upon the wife’s death. The assets in the trust are \$300,000 and a living trust share account is opened for that full amount. What is the coverage amount?

Answer: Unless otherwise indicated in the trust, each beneficiary (all of whom here are qualifying beneficiaries) would be deemed to own an equal share of the \$300,000; hence, the full amount would be insured. This result would be the same even if the wife has the power to invade the principal of the trust, inasmuch as defeating contingencies are not relevant for insurance purposes.

#### *C. How Are Accounts Held by Executors or Administrators Insured?*

All funds belonging to a decedent and invested in one or more accounts, whether held in the name of the decedent or in the name of his executor or administrator, are added together and insured to the \$100,000 maximum. Such funds are insured separately from the individual accounts of any of the beneficiaries of the estate or of the executor or administrator.

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### Example 1

Question: Member A, administrator of Member D's estate, sells D's automobile and invests the proceeds of \$12,500 in an account entitled "A Administrator of the estate of D." A has an individual account in that same credit union containing \$100,000. Prior to his death, D had opened an individual account of \$100,000. What is the insurance coverage?

Answer: The \$12,500 is added to D's individual account and insured to \$100,000, leaving \$12,500 uninsured. A's individual account is separately insured for \$100,000 (§745.5).

#### *D. How Are Accounts Held by a Corporation, Partnership or Unincorporated Association Insured?*

All funds invested in an account or accounts by a corporation, a partnership or an unincorporated association engaged in any independent activity are added together and insured to the \$100,000 maximum. The term "independent activity" means any activity other than the one directed solely at increasing coverage. If the corporation, partnership or unincorporated association is not engaged in an independent activity, any account held by the entity is insured as if owned by the persons owning or comprising the entity, and the imputed interest of each such person is added for insurance purposes to any individual account which he maintains.

### Example 1

Question: Member X Corporation maintains a \$100,000 account. The stock of the corporation is owned by members A, B, C, and D in equal shares. Each of these stockholders also maintains an individual account of \$100,000 with the same credit union. What is the insurance coverage?

Answer: Each of the five accounts would be separately insured to \$100,000 if the corporation is engaged in an independent activity and has not been established merely for the purpose of increasing insurance coverage. The same would be true if the business were operated as a bona fide partnership instead of as a corporation (§745.6). However, if X corporation was not engaged in an independent activity, then \$25,000 (¼ interest) would be added to each account of A, B, C, and D. The accounts of A, B, C, and D would then each be insured to \$100,000, leaving \$25,000 in each account uninsured.

### Example 2

Question: Member C College maintains three separate accounts with the same credit union under the titles: "General Operating Fund," "Teachers Salaries," and "Building Fund." What is the insurance coverage?

Answer: Since all of the funds are the property of the college, the three accounts are added together and insured only to the \$100,000 maximum (§745.6).

### Example 3

Question: The men's club of X Church carries on various social activities in addition to holding several fund-raising campaigns for the church each year. The club is supported by membership dues. Both the club and X Church maintain member accounts in the same credit union. What is the insurance coverage?

Answer: The men's club is an unincorporated association engaged in an independent activity. If the club funds are, in fact, legally owned by the club itself and not the church, each account is separately insured to the \$100,000 maximum (§745.6).

### Example 4

Question: The PQR Union, a member of the ABC Federal Credit Union, has three locals in a certain city. Each of the locals maintains an account containing funds belonging to the parent organization. All three accounts are in the same insured credit union. What is the insurance coverage?

Answer: The three accounts are added together and insured up to the \$100,000 maximum (§745.6).

#### *E. How Are Accounts Held by Government Depositors Insured?*

For insurance purposes, the official custodian of funds belonging to a public unit, rather than the public unit itself, is insured as the account holder. All funds belonging to a public unit and invested by the same custodian in a federally-insured credit union are categorized as either share draft accounts or share certificate and regular share accounts. If these accounts are invested in a federally-insured credit union located in the jurisdiction from which the official custodian derives his authority, then the share draft accounts will be insured separately from the share certificate and regular share accounts. Under this circumstance, all share draft accounts are added together and insured to the \$100,000 maximum and all share certificate and regular share accounts are also added together and separately insured up to the \$100,000 maximum. If, however, these accounts are invested in a federally-insured credit union located outside of the jurisdiction from which the official custodian derives his authority, then insurance coverage is limited to \$100,000 for all accounts regardless of whether they are share draft, share certificate or regular share accounts. If there is more than one official custodian for the same public unit, the funds invested by each custodian are separately insured. If the same person is custodian of funds for more than one public unit, he is separately insured with respect to the funds of each unit held by him in properly designated accounts.

For insurance purposes, a "political subdivision" is entitled to the same insurance

coverage as any other public unit. "Political subdivision" includes any subdivision of a public unit or any principal department of such unit: (1) The creation of which has been expressly authorized by state statute, (2) to which some functions of government have been allocated by state statute, and (3) to which funds have been allocated by statute or ordinance for its exclusive use and control.

#### Example 1

Question: As Comptroller of Y Consolidated School District, A maintains a \$125,000 account in the credit union containing school district funds. He also maintains his own \$100,000 member account in the same credit union. What is the insurance coverage?

Answer: The two accounts will be separately insured, assuming the credit union's records indicate that the account containing the school district funds is held by A in a fiduciary capacity. Thus, \$100,000 of the school's funds and the entire \$100,000 in A's personal account will be insured (§ 745.10(a)(2) and § 745.3).

#### Example 2

Question: A, as city treasurer, and B, as chief of the city police department, each have \$100,000 in city funds invested in custodial accounts. What is the insurance coverage?

Answer: Assuming that both A and B have official custody of the city funds, each account is separately insured to the \$100,000 maximum (§ 745.10(a)(2)).

#### Example 3

Question: A is Treasurer of X County and collects certain tax assessments, a portion of which must be paid to the state under statutory requirement. A maintains an account for general funds of the county and establishes a separate account for the funds which belong to the State Treasurer. The credit union's records indicate that the separate account contains funds held for the State. What is the insurance coverage?

Answer: Since two public units own the funds held by A, the accounts would each be separately insured to the \$100,000 maximum (§ 745.10(a)(2)).

#### Example 4

Question: A city treasurer invests city funds in each of the following accounts: "General Operating Account," "School Transportation Fund," "Local Maintenance Fund," and "Payroll Fund." Each account is available to the custodian upon demand. By administrative direction, the city treasurer has allocated the funds for the use of and control by separate departments of the city. What is the insurance coverage?

Answer: All of the accounts are added together and insured in the aggregate to \$100,000. Because the allocation of the city's funds is not by statute or ordinance for the specific use of and control by separate departments of the city, separate insurance coverage to the maximum of \$100,000 is not afforded to each account (§§ 745.1(d) and 745.10(a)(2)).

#### Example 5

Question: A, the custodian of retirement funds of a military exchange, invests \$1,000,000 in an account in an insured credit union. The military exchange, a non-appropriated fund instrumentally of the United States, is deemed to be a public unit. The employees of the exchange are the beneficiaries of the retirement funds but are not members of the credit union. What is the insurance coverage?

Answer: Because A invested the funds on behalf of a public unit, in his capacity as custodian, those funds qualify for \$100,000 share insurance even though A and the public unit are not within the credit union's field of membership. Since the beneficiaries are neither public units nor members of the credit union they are not entitled to separate share insurance. Therefore, \$900,000 is uninsured (§ 745.10(a)(1)).

#### Example 6

Question: A is the custodian of the County's employee retirement funds. He deposits \$1,000,000 in retirement funds in an account in an insured credit union. The "beneficiaries" of the retirement fund are not themselves public units nor are they within the credit union's field of membership. What is the insurance coverage?

Answer: Because A invested the funds on behalf of a public unit, in his capacity as custodian, those funds qualify for \$100,000 share insurance even though A and the public unit are not within the credit union's field of membership. Since the beneficiaries are neither public units nor members of the credit union they are not entitled to separate share insurance. Therefore, \$900,000 is uninsured (§ 745.10(a)(2)).

#### Example 7

Question: A county treasurer establishes the following share draft accounts in an insured credit union each with \$100,000:

"General Operating Fund"  
 "County Roads Department Fund"  
 "County Water District Fund"  
 "County Public Improvement District Fund"  
 "County Emergency Fund"

What is the insurance coverage?

Answer: The "County Roads Department," "County Water District" and "County Public Improvement District" accounts would

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each be separately insured to \$100,000 if the funds in each such account have been allocated by law for the exclusive use of a separate county department or subdivision expressly authorized by State statute. Funds in the "General Operating" and "Emergency Fund" accounts would be added together and insured in the aggregate to \$100,000, if such funds are for countywide use and not for the exclusive use of any subdivision or principal department of the county, expressly authorized by State statute (§§745.1(d) and 745.10(a)(2)).

### Example 8

Question: A, the custodian of Indian tribal funds, lawfully invests \$1,000,000 in an account in an insured credit union on behalf of 15 different tribes; the records of the credit union show that no tribe's interest exceeds \$100,000. A, as official custodian, also invests \$1,000,000 in the same credit union on behalf of 100 individual Indians, who are not members; each Indian's interest is \$10,000. What is the insurance coverage?

Answer: Because each tribe is considered a separate public unit, the custodian of each tribe, even though the same person, is entitled to separate insurance for each tribe (§745.10(a)(5)). Since the credit union's records indicate no tribe has more than \$100,000 in the account, the \$1,000,000 would be fully insured as 15 separate tribal accounts. If any one tribe had more than a \$100,000 interest in the funds, it would be insured only to \$100,000 and any excess would be uninsured.

However, the \$1,000,000 invested on behalf of the individual Indians would not be insured since the individual Indians are neither public units nor, in the example, members of the credit union. If A is the custodian of the funds in his capacity as an official of a governmental body that qualified as a public unit, then the account would be insured for \$100,000, leaving \$900,000 uninsured.

### Example 9

Question: A, an official custodian of funds of a state of the United States, lawfully invests \$250,000 of state funds in a federally-insured credit union located in the state from which he derives his authority as an official custodian. What is the insurance coverage?

Answer: If A invested the entire \$250,000 in a share draft account, then \$100,000 would be insured and \$150,000 would be uninsured. If A invested \$125,000 in share draft accounts and another \$125,000 in share certificate and regular share accounts, then A would be insured for \$100,000 for the share draft accounts and \$100,000 for the share certificate and regular share accounts leaving \$50,000 uninsured (§745.10(a)(2)). If A had invested the \$250,000 in a federally-insured credit union located outside the state from which he derives his

authority as an official custodian, then \$100,000 would be insured for all accounts regardless of whether they were share draft, share certificate or regular share accounts, leaving \$150,000 uninsured (§745.10(b)).

### F. How Are Joint Accounts Insured?

The interest of a co-owner in all accounts held under any form of joint ownership valid under state law (whether as joint tenants with right of survivorship, tenants by the entirety, tenants in common, or by husband and wife as community property) is insured up to \$100,000. This insurance is separate from that afforded individual accounts held by any of the co-owners.

An account is insured as a joint account only if each of the co-owners has personally signed a membership card or an account signature card and possesses the same withdrawal rights as the other co-owners. (The signature requirement does not apply to share certificates, or to any accounts maintained by an agent, nominee, guardian, custodian or conservator on behalf of two or more persons. However, the records of the credit union must show that the account is being maintained for joint owners. There is also another exception in the case of a minor discussed below.) An account owned jointly which does not qualify as a joint account for insurance purposes is insured as if owned by the named persons as individuals. In that case, the actual ownership interest in the account of each person is added to any other accounts individually owned by such person and insured up to \$100,000 in the aggregate.

Any individual, including a minor, may be a co-owner of a joint account. Although, generally, each co-owner must have signed an account signature card and must have the same rights of withdrawal as other co-owners in order for the account to qualify for separate joint account insurance, there is an exception for minors. If state law limits or restricts a minor's withdrawal rights—for example, a minimum age requirement to make a withdrawal—the account will still be insured as a joint account.

The interests of a co-owner in all joint accounts that qualify for separate insurance coverage are insured up to the \$100,000 maximum. For insurance purposes, the co-owners of any joint account are deemed to have equal interests in the account, except in the case of a tenancy in common. With a tenancy in common, equal interests are presumed unless otherwise stated on the records of the credit union.

### Example 1

Question: Members A and B maintain an account as joint tenants with right of survivorship and, in addition, each holds an individual account. Is each account separately insured?

Answer: If both A and B have signed the membership or signature card and possess equal withdrawal rights with respect to the joint funds, their interests in the joint account are separately insured from their interests in the individual accounts. (§745.8 (a) and (b).) If the joint account is represented by a share certificate, their individual signatures are not required for that account.

#### Example 2

Question: Members H and W, husband and wife, reside in a community property state. Each holds an individual account and, in addition, they hold a qualifying joint account. The funds in all three accounts consist of community property. Is each account separately insured?

Answer: Yes. An account in the individual name of a spouse will be insured up to \$100,000 whether the funds consist of community property or separate property of the spouse. A joint account containing community property is separately insured. Thus, community property can be used for individual accounts in the name of each spouse and for a joint account in the name of both spouses. In this example, each individual account is insured up to \$100,000 (§745.3(a)(1)), and the interests of both the husband and wife in the joint account are each insured up to \$100,000 (§745.8(a)).

#### Example 3

Question: Two accounts of \$100,000 each are held by a member husband and his wife under the following names: John Doe and Mary Doe, husband and wife, as joint tenants with right of survivorship. Mrs. John Doe and John Q. Doe (community property). How much insurance do the husband and wife have?

Answer: They have \$200,000 of insurance. Both the husband and wife are deemed to have a one half interest (\$50,000) in each account. (§745.2(c)(4).) The husband's interest in both accounts would be added together and insured for \$100,000. The wife's insurance coverage would be determined the same way. (§745.8(a).)

#### Example 4

Question: The following accounts are held by members A, B and C, each of whom has personally executed signature cards for the accounts in which he has an interest. Each co-owner of a joint account possesses the necessary withdrawals rights.

1. A, as an individual—\$100,000.
2. B, as an individual—\$100,000.
3. C, as an individual—\$100,000.
4. A and B, as joint tenants w/r/o survivorship—\$90,000.
5. A and C, as joint tenants w/r/o survivorship—\$90,000.

6. B and C, as joint tenants w/r/o survivorship—\$90,000.

7. A, B and C, as joint tenants w/r/o survivorship—\$90,000.

What is the insurance coverage?

Answer: Accounts numbered 1, 2 and 3 are each separately insured for \$100,000 as individual accounts held by A, B and C, respectively (§745.3(a)(1)). The interest of the co-owners of each joint account are deemed equal for insurance purposes (§745.2(c)(4)). A's interest in accounts numbered 4, 5, and 7 are added together for insurance purposes (§745.8(e)). Thus, A has an interest of \$45,000 in account No. 4, \$45,000 in account No. 5 and \$30,000 in account No. 7, for a total joint account interest of \$120,000, of which \$100,000 is insured. The interest of B and C are similarly insured.

#### Example 5(a)

Question: A, B and C hold accounts as set forth in Example 4. Members A and B are husband and wife; C, their minor child, has failed to sign the signature card for Account No. 7. In Account No. 5, according to the terms of the account, C cannot make a withdrawal without A's written consent. (This is not a limitation imposed under state law.) In Account No. 6, the signatures of both B and C are required for withdrawal. A has provided all of the funds for Accounts numbered 5 and 7 and under state law has the entire actual ownership interest in these two accounts. What is the insurance coverage?

Answer: If any of the co-owners of a joint account have failed to meet any of the joint account requirements, the account is not a qualifying joint account. Instead, the account is treated as if it consisted of commingled individual accounts of each of the co-owners in accordance with his or her actual ownership interest in the funds, as determined under applicable state law. (§745.8(c).)

Account No. 5 is not a qualifying joint account because C does not have equal withdrawal rights with A. Based on the terms of the account, C can only make a withdrawal if he has A's written consent. Account No. 7 is not a qualifying joint account because C did not personally sign the signature card. Therefore, all of the funds in Accounts 5 and 7 are treated as individually owned by A and added to A's individual account, Account No. 1. For insurance purposes then, A has \$280,000 in one individual account that is insured for \$100,000, leaving \$180,000 uninsured.

Account 6 is a qualifying joint account for insurance purposes since each co-owner has the right to withdraw funds on the same basis. Account 4 is also a qualifying joint account. A's interest in Account 4 is insured for \$45,000. B's interest of \$45,000 in Account 4 is added to her interest of \$45,000 in Account 6 and insured for \$90,000. C's interest in Account 6 is insured for \$45,000.

## Example 5(b)

Question: Assume the same accounts as Example 5(a) except that, on Account No. 5, C's right to make a withdrawal is limited by state law which precludes a minor from making a withdrawal without the co-owner's written consent. What is the insurance coverage?

Answer: In this situation, Accounts 4, 5, and 6 all qualify as joint accounts. A, B, and C will each have \$90,000 of insured funds based on: A's interest in Account 4 (\$45,000) and 5 (\$45,000), B's interest in Accounts 4 (\$45,000) and 6 (\$45,000), and C's interest in Accounts 5 (\$45,000) and 6 (\$45,000). As in Example 5(a), Account No. 7 does not qualify as a joint account and would be added to A's individual account for insurance purposes.

*G. How Are Trust Accounts and Retirement Accounts Insured?*

A trust estate is the interest of a beneficiary in an irrevocable express trust, whether created by trust instrument or statute, that is valid under state law. Thus, funds invested in an account by a trustee under an irrevocable express trust are insured on the basis of the beneficial interests under such trust. The interest of each beneficiary in an account (or accounts) established under such a trust arrangement is insured to \$100,000 separately from other accounts held by the trustee, the settlor (grantor), or the beneficiary. However, in cases where a beneficiary has an interest in more than one trust arrangement created by the same settlor, the interests of the beneficiary in all accounts established under such trusts are added together for insurance purposes, and the beneficiary's aggregate interest derived from the same settlor is separately insured to the \$100,000 maximum.

A beneficiary's interest in an account established pursuant to an irrevocable express trust arrangement is insured separately from other beneficial interests (trust estates) invested in the same account if the value of the beneficiary's interest (trust estate) can be determined (as of the date of a credit union's insolvency) without evaluation of contingencies except for those covered by the present worth tables and rules of calculation for their use set forth in §20.2031-10 of the Federal Estate Tax Regulations (26 CFR 20.2031-10). If any trust estates in such an account cannot be so determined, the insurance with respect to all such trust estates together shall not exceed \$100,000.

In order for insurance coverage of trust accounts to be effective in accordance with the foregoing rules, certain recordkeeping requirements must be met. In connection with each trust account, the credit union's records must indicate the name of both the settlor and the trustee of the trust and must contain an account signature card executed

by the trustee indicating the fiduciary capacity of the trustee. In addition, the interests of the beneficiaries under the trust must be ascertainable from the records of either the credit union or the trustee, and the settlor or beneficiary must be a member of the credit union. If there are two or more settlors or beneficiaries, then either all the settlors or all the beneficiaries must be members of the credit union.

Although each ascertainable trust estate is separately insured, it should be noted that in short-term trusts the insurable interest or interests may be very small, since the interests are computed only for the duration of the trust. Thus, if a trust is made irrevocable for a specified period of time, the beneficial interest will be calculated in terms of the length of time stated. A reversionary interest retained by the settlor is treated in the same manner as an individual account of the settlor.

As stated, the trust must be valid under local law. A trust which does not meet local requirements, such as one imposing no duties on the trustee or conveying no interest to the beneficiary, is of no effect for insurance purposes. An account in which such funds are invested is considered to be an individual account.

An account established pursuant to a revocable trust arrangement is insured as a form of individual account and is treated under section B, *supra*, dealing with Testamentary Accounts.

IRA and Keogh accounts are separately insured, each up to \$250,000. Although credit unions may serve as trustees or custodians for self-directed IRA, Roth IRA and Keogh accounts, once the funds in those accounts are taken out of the credit union, they are no longer insured.

In the case of an employee retirement fund where only a portion of the fund is placed in a credit union account, the amount of insurance available to an individual member/beneficiary on his interest in the account will be in proportion to his interest in the entire employee retirement fund. If, for example, the member's interest represents 10% of the entire plan funds, then he is presumed to have only a 10% interest in the plan account. Said another way, if a member has a vested interest of \$10,000 in a municipal employees retirement plan and the trustee invests 25% of the total plan funds in a credit union, the member would be insured for only \$2,500 on that credit union account. There is an exception, however. The member would be insured for \$10,000 if the trustee can document, through records maintained in the ordinary course of business, that individual beneficiary's interests are segregated and the total vested interest of the member was, in fact, invested in that account.



## Example 1

Question: Member S invests \$45,000 in trust for B, the beneficiary. S also has an individual account containing \$90,000 in the same credit union. What is the insurance coverage?

Answer: Both accounts are fully insured. The trust account is separately insured from the individual account of S (§§ 745.3(a)(1) and 745.9-1).

## Example 2

Question: S invests funds in trust for A, B, C, D, and E. A, B, and C are members of the credit union, D, E and S are not. What is the insurance coverage?

Answer: This is an uninsurable account. Where there is more than one settlor or more than one beneficiary, all the settlors or all the beneficiaries must be members to establish this type of account. Since D, E and S are not members, this account cannot legally be established or insured.

## Example 3(a)

Question: Member T invests \$500,000 in trust for ABC Employees Retirement Fund. Some of the participants are members and some are not. What is the insurance coverage?

Answer: The account is insured as to the determinable interests of each participant to a maximum of \$100,000 per participant regardless of credit union member status. T's member status is also irrelevant. Participant interests not capable of evaluation shall be added together and insured to a maximum of \$100,000 in the aggregate (§ 745.9-2).

## Example 3(b)

Question: T is trustee for the ABC Employees Retirement Fund containing \$1,000,000. Fund participant A has a determinable interest of \$90,000 in the Fund (9% of the total). T invests \$500,000 of the Fund in an insured credit union and the remaining \$500,000 elsewhere. Some of the participants of the Fund are members of the credit union and some are not. T does not segregate each participant's interest in the Fund. What is the insurance coverage?

Answer: The account is insured as to the determinable interest of each participant, adjusted in proportion to the Fund's investment in the credit union, regardless of the membership status of the participants or trustee. A's insured interest in the account is \$45,000, or 9% of \$500,000. This reflects the fact that only 50% of the Fund is in the account and A's interest in the account is in the same proportion as his interest in the overall plan. All other participants would be similarly insured. Participants' interests not capable of evaluation are added together and

insured to a maximum of \$100,000 in the aggregate (§ 745.9-2).

## Example 4

Question: Member A has an individual account of \$100,000 and establishes an IRA account and accumulates \$250,000 in that account. Subsequently, A becomes self-employed and establishes a Keogh account in the same credit union and accumulates \$250,000 in that account. What is the insurance coverage?

Answer: Each of A's accounts would be separately insured as follows: The individual account for \$100,000, the maximum for that type of account; the IRA account for \$250,000, the maximum for that type of account; and the Keogh account for \$250,000, the maximum for that type of account. (§§ 745.3(a)(1) and 745.9-2).

## Example 5

Question: Member A has a self-directed IRA account with \$70,000 in it. The FCU is the trustee of the account. Member transfers \$40,000 into a blue chip stock; \$30,000 remains in the FCU. What is the insurance coverage?

Answer: Originally, the full \$70,000 in A's IRA account is insured. The \$40,000 is no longer insured once it is moved out of the FCU. The \$30,000 remaining in the FCU is insured (§ 745.9-2).

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## PART 747—ADMINISTRATIVE ACTIONS, ADJUDICATIVE HEARINGS, RULES OF PRACTICE AND PROCEDURE, AND INVESTIGATIONS

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