

# NCUA LETTER TO CREDIT UNIONS

## NATIONAL CREDIT UNION ADMINISTRATION

1775 Duke Street, Alexandria, VA 22314

**DATE:** October 2008 **LETTER NO.:** 08-CU-22

**TO:** Federally Insured Credit Unions

**SUBJ:** Share Insurance Coverage Enhancements

Dear Board of Directors:

President George W. Bush signed into law the "Emergency Economic Stabilization Act of 2008" on October 3, 2008, which temporarily increases federal deposit insurance coverage. The new law amends the share insurance coverage provided by the National Credit Union Administration (NCUA) through the National Credit Union Share Insurance Fund (NCUSIF) and the deposit insurance provided by the Federal Deposit Insurance Corporation (FDIC). The NCUA Board also took action on October 3 to eliminate the concept of "qualified beneficiary" in determining NCUSIF share insurance coverage.

The law increasing insurance coverage became effective on October 3, 2008, and will remain in place through December 31, 2009. Credit unions should note this time limitation in their communications with members. The new law provides the following:

- An increase in the minimum NCUSIF coverage from \$100,000 to \$250,000 on member share accounts. This includes all account types, such as regular share, share draft, money market, and certificates of deposit. Individual Retirement Account and Keogh account coverage remains unchanged at up to \$250,000 separate from other types of accounts owned.

The increase in the minimum share insurance coverage to \$250,000 will not result in an increase to your share insurance premium or operating fee. Changes will be made to the 5300 report for the December 2008 reporting cycle to address the change in coverage.

## Basic NCUA Share Insurance Coverage Limits<sup>1</sup>

<b>Single Ownership Account</b>	<b>Joint Ownership Account</b>	<b>IRA and certain other retirement accounts</b>	<b>Trust Accounts (including payable-on-death accounts)</b>
•\$250,000 per owner**	•\$250,000 per co-owner (must have equal rights to funds)**	•\$250,000 per owner •Keogh accounts are insured separately from IRA accounts up to \$250,000	•\$250,000 per owner per beneficiary subject to specific limitations and requirements**

\*\*The legislation authorizing the increase in share insurance coverage limits is effective October 3, 2008, through December 31, 2009.

### Change in NCUA Rules – “Qualified Beneficiary”

To maintain parity with FDIC insurance coverage, the NCUA Board approved a change to Part 745.4 of the NCUA Rules and Regulations eliminating the concept of “qualified beneficiary”. Beneficiaries are now defined as natural persons as well as charitable organizations and other non-profit entities recognized as such under the Internal Revenue Code of 1986. For members with revocable trust accounts totaling no more than \$1,250,000, coverage will be determined without regard to the proportional beneficial interest of each beneficiary in the trust.

Under the amended rules, a trust account owner with up to five different beneficiaries named in all of his or her revocable trust accounts at one NCUA-insured institution will be insured up to \$250,000 per beneficiary. Revocable trust account owners with more than \$1,250,000 and more than five different beneficiaries named in the trust(s) will be insured for the greater of either: \$1,250,000 (5 X \$250,000) or the aggregate amount of all the beneficiaries’ interests in the trust(s), limited to \$250,000 per beneficiary.

### Share Insurance Information, Brochures, Posters, and Decals:

NCUA has created the Share Insurance Tool Kit webpage that provides an updated version of the “Your Insured Funds” brochure as well as new posters and print ads reflecting the increase in insurance coverage to \$250,000. In addition to versions that can be printed from the NCUA website, new brochures and NCUA decals will be available in 4 to 6 weeks and can be ordered using the information found at: [http://www.ncua.gov/Publications/pub\\_avail/pub\\_avail.html](http://www.ncua.gov/Publications/pub_avail/pub_avail.html)

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<sup>1</sup> These insurance coverage limits refer to the total of all shares that a member(s) has at each NCUA-insured credit union. The examples provided only show the most common ownership categories that apply to individual and family shares, and assumes that all NCUA requirements are met.

I encourage you to share these changes with your members and to remind your members that not one penny of federally insured shares has ever been lost. America's 89 million credit union members will greatly benefit from the above changes. NCUA looks forward to working with federally insured credit unions to implement these share insurance enhancements.

Should you have questions, please contact your district examiner, regional office, or state supervisory authority.

Sincerely,

/S/

Michael E. Fryzel  
Chairman