

UNITED STATES OF AMERICA  
BEFORE THE NATIONAL CREDIT UNION ADMINISTRATION

In the Matter of

XXXXXXXXXXXX  
XXX  
XXXXXXXXXXXX

*Docket 96 002*

Insurance Claim  
Parkway Medical Center Federal Credit Union

Decision and Order on Appeal

Decision

This matter comes before the National Credit Union Administration Board (Board) pursuant to 12 CFR 745.202 as an appeal of the determination upon a request for reconsideration by the Liquidating Agent of Parkway Medical Center Federal Credit Union denying the xxxxxxx insurance claim in the amount of xxxxxxx.

Background

Parkway Medical Center Federal Credit Union, located in Lithia Springs, Georgia, was a multiple group credit union, serving primarily health related employee groups. It was placed into involuntary liquidation due to insolvency, effective April 3, 1995. The liquidation was due to alleged fraud involving credit union officials.

xxxxxxxxxxxxxxxxxxxx, husband and wife, had several accounts at the credit union. Two of their accounts are the subject of this appeal.

Xxxxxxxxxxxxxx consisted of six certificates of deposits totaling xxxxxxx. The signature card for this account was in the names of xxxxxxxxxxxxxxxxxxxx, with xxxxxxxxxxx social security number. xxxxxxxxxxx signed the front of the account card as the primary member; the back of the card is a joint account agreement signed by xxxxxxxxxxxxxxxx xxxxxxx. The certificates of deposit for this account were issued to either "xxxxxxxx xxxxxxx" or "xxxxxxxxxxxxxxxxxxxxxxxx." Dividends on this account were

paid by check to xxxxxxxxxxx and were reported to the IRS under xxxxxxxxxxx social security number.

xxxxxxxxxxxx consisted of eight certificates of deposit totaling xxxxxxx. The

signature card for this account was in the names of xxxxxxxxxxxxxxxxxxx, with xxxxx social security number. xxxxxxxxxxx signed the front of the account card as the

primary member; the back of the card is a joint account agreement signed by xxx

xxxxxxxxxxxxxxxxxxxxxxxx The certificates of deposit for this account were issued to

either "xxxxxxxxxxxxxxxxxxxx," "xxxxxxxxxxxxxxxxxxxx," or "xxxxxxxxxxxxxxxxxxxx."

Dividends on this account were paid by check to xxxxxxxxxx and were reported to the IRS under xxxxxxxxxxxx social security number. |

The xxxxxx claim that xxxxxxxxxxxxxx should be insured as xxxxxxxxxxxxxx individual account and that xxxxxxxxxxxxxx should be insured as xxxxxxxxxxxxxx individual account. The xxxxxx submitted affidavits stating their belief that their accounts were not joint accounts and were separately and fully insured. In their affidavits they also attest that the credit union manager knew of their intention of obtaining full insurance and advised them that both accounts were fully insured. The credit union manager advised the ALMC (manager has not submitted an affidavit) that she did not tell the xxxxxx that their accounts were fully insured and that she advised caution in the purchase of certificates of deposits. The manager also stated that she sent the xxxxxx a copy of the NCUA Regulations regarding account insurance coverage.

The ALMC treated accounts xxxxxxxxxxxxxx as joint accounts for xxxxxxxxxxxxxx xxxxx. The total insurance coverage available for joint accounts held by the same combination of individuals is \$100,000 pursuant to Section 745.8 of the NCUA Regulations. The xxxxxx were paid xxxxxxxx and issued an uninsured share certificate for xxxxxx for these two accounts.

## Analysis

Part 745 of NCUA's Regulations (12 CFR 745) addresses share insurance coverage. Section 745.2(a) states:

This Part provides for determination by the [NCUA] Board of the amount of members' insured accounts. The rules for determining the insurance coverage of accounts maintained by members in the same of different rights and capacities in the same insured credit union are set forth in the following provisions of this Part. The Appendix provides examples of the application of these rules to various factual situations...

Section 745.8 addresses joint accounts. The relevant provisions follow:

(a) Separate insurance coverage. Accounts owned jointly, whether as joint tenants with right of survivorship, as tenants by the entireties, as tenants in common, or by husband and wife as community property, shall be insured separately from accounts individually owned by any of the co owners.

(b) Qualifying joint accounts. Joint accounts are insured separately from individual accounts up to a maximum of \$100,000 provided that each of the co owners has personally signed an account signature card and has a right of withdrawal on the same basis as the other co owners.

(c) Failure to qualify. An account owned jointly which does not qualify as a joint account for purposes of insurance of accounts shall be treated as owned by the named persons as individuals and the actual ownership interest of each such person in such account shall be added to any other accounts individually owned by such person and insured up to \$100,000 in the aggregate...

(d) Same combination if individuals. All joint accounts owned by the same

combination of individuals shall be added together and insured up to \$100,000 in the aggregate.

The relevant portion of the Appendix to Part 745 states:

#### F. JOINT ACCOUNTS

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

#### Example 3

Question: Two accounts of \$100,000 each are held by a member husband and 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). Are the accounts separately insured?

Answer: No. Both accounts are considered joint accounts owned by the same combination of individuals, regardless of the form of joint ownership. Reversal of names or use of different styles does not change the result, as long as the account owners are in fact the same in both cases. For insurance purposes, the accounts are added together and insured to the maximum of \$100,000, leaving \$100,000 uninsured (745.8(d)). The ALMC determined that xxxxxxxxxxxxxxxxxxxxx were joint owners of accounts xxxxx xxxxxxxxx, as reflected by the account cards and the share certificates. Since the account signature cards were each properly signed by xxx were each named as owners on each of the share certificates held in the two accounts (establishing equal withdrawal rights), the accounts were "qualifying joint accounts" for purposes of insurance coverage (Section 745.8(b)). Example 3 of Section F. of the Appendix to the Regulations clarifies that reversal of names or use of different styles does not increase insurance of joint accounts held by the same combination of individuals. Pursuant to Section 745.8(d), the accounts were added together and insured up to \$100,000 in the aggregate.

The Board notes that the fact that the credit union manager may have stated that all of the funds in the two accounts were insured does not justify payment of amounts above the insured amount. Credit union personnel cannot obligate the National Credit Union Share Insurance Fund. Account insurance must be applied as it is described in the NCUA Regulations.

#### Order

For the reasons set forth above, it is ORDERED as follows:

The Board upholds the Liquidating Agent's decision upon reconsideration to deny xxxxxxxxxxxxxxxxxxxxxxx claim in the amount of xxxxxxxx and denies the xxxxxxxx appeal.

The Board's decision constitutes a final agency determination. Pursuant to 12 CFR 745.203(c), this final determination is reviewable in accordance with the provisions of Chapter 7, Title 5, United States Code, by the United States Court of Appeals for the District of Columbia or the court of appeals for the Federal judicial circuit where the credit union's principal place of business was located. Such action must be filed not later than 60 days after the date of this final determination.

So ORDERED this 25th day of January, 1996 by the National Credit Union Administration Board.

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Becky Baker  
Secretary of the Board.