



July 5, 2006

Changes to the Share Insurance Official Sign

EXECUTIVE SUMMARY

- The NCUA Board adopted a proposed rule to amend the share insurance rules as they apply to the share insurance official sign. The proposal incorporates recent changes that were included in the deposit insurance reform law that Congress passed last year.
- The deposit insurance reform law also included a number of other share insurance changes, such as increasing the share insurance limit for certain retirement accounts from \$100,000 to \$250,000. NCUA recently issued an interim final rule to implement these changes. The link below provides more information about this rule:
http://www.cuna.org/reg_advocacy/reg_call/rcc_032306.html
- Comments on the proposed rule are due by August 11, 2006. **Please submit your comments to CUNA by August 7, 2006.**

Please feel free to fax your responses to CUNA at 202-638-7052; e-mail them to Senior Vice President and Deputy General Counsel Mary Dunn at mdunn@cuna.coop and to Senior Assistant General Counsel Jeff Bloch jbloch@cuna.coop; or mail them to Mary and Jeff in c/o CUNA's Regulatory Advocacy Department, 601 Pennsylvania Avenue, NW, South Building, Suite 600, Washington, DC 20004-2601. You may also contact us at 800-356-9655, ext. 6732, if you would like a copy of the proposed rule, or you may access it on the Internet at the following address:

http://www.ncua.gov/RegulationsOpinionsLaws/proposed_regs/P-740.pdf

BACKGROUND

The deposit insurance law passed by Congress last year amends the share insurance provisions of the FCUA in the following ways:

- Beginning in 2010, and for each five-year period thereafter, NCUA and the FDIC will jointly consider whether the SMSIA and the standard maximum deposit insurance amount (SMDIA) should be adjusted (the SMDIA is the FDIC equivalent for bank deposits). Congress will have the authority to prevent or limit these increases.
- NCUA will provide “pass-through” share insurance coverage in any employee benefit plan account, which means the insurance coverage will be assigned on a per-participant basis. These accounts include employee welfare benefit plans, employee pension benefit plans, Keogh accounts, and “457 Plans,” which include certain deferred compensation plans of tax-exempt organizations, along with State and local governments. Acceptance of employee benefit plan funds are limited to insured credit unions that are “well capitalized” or “adequately capitalized” under prompt corrective action.
- The share insurance limit for certain retirement accounts will be increased from \$100,000 to \$250,000. These include IRAs and Keogh Accounts. These new limits will also be subject to future inflation adjustments beginning in 2010, as provided for other types of accounts. The interim final rule implements the initial adjustment from \$100,000 to \$250,000.
- Requires changes to the share insurance and deposit insurance official signs to indicate the new insurance limits and that funds are backed by the full faith and credit of the United States Government.

In March of this year, NCUA issued an interim final rule to implement the above changes, with the exception of the changes to the official signs. The link below provides for more information about this rule:

http://www.cuna.org/reg_advocacy/reg_call/rcc_032306.html

NCUA has now issued a proposed rule to implement the change in the deposit insurance law that requires changes to the share insurance official sign.

BRIEF DESCRIPTION OF THE PROPOSED RULE

As required under the deposit reform law, the NCUA share insurance official sign will now indicate that share accounts insured by NCUA are backed by the full faith and credit of the United States Government. The sign will also indicate that shares are insured “to at least” \$100,000 to reflect that certain retirement accounts will now be insured up to \$250,000. Here is the format for the revised official sign, which will have the current blue background and white lettering:

Your savings federally insured to at least \$100,000
and backed by the full faith and credit of the United States Government

NCUA

National Credit Union Administration, a U.S. Government Agency

The proposed rule also includes the provisions of the deposit insurance reform law that imposes a penalty of up to \$100 per day for each day that an insured credit union violates NCUA's rules regarding the share insurance official sign and the official advertising statement that the credit union must include in their advertisements. NCUA will also provide all insured credit unions with an initial supply of the revised official sign, with a blue background and white lettering, at no cost to the credit union, and will make a downloadable graphic available on the agency website for credit unions to use on their websites. Credit unions will be required to purchase additional supplies, at their own expense.

In the final rule that will be issued regarding the official sign and in a future Letter to Credit Unions, NCUA will inform credit unions how and when they will receive their initial supply of revised official signs. NCUA will also determine a reasonable time period for insured credit unions to comply with the rule's requirements to display the new official sign, after receiving the initial supplies from the agency.

QUESTIONS TO CONSIDER REGARDING NCUA's PROPOSED RULE ON SHARE INSURANCE

- NCUA will determine the reasonable period for insured credit unions to comply with the new requirements to display the official sign after receiving the initial supply from the agency. In the proposed rule, NCUA has requested comment as to whether 60 days would be a reasonable period. Will 60 days be sufficient? If not, what time period would be appropriate?

- The official sign indicates that shares are insured “to at least \$100,000.” Is this adequate to describe that certain retirement accounts are now insured up to \$250,000? Do you have other suggestions as to how to convey this information?

- Other comments?
