



# CREDIT UNION NewsWatch

LEGISLATION, REGULATION, AND INNOVATION FROM THE CREDIT UNION NATIONAL ASSOCIATION

JULY 28, 2008



*NCUA Chief Financial Officer Mary Ann Woodson reads a July 24 overhead presentation to the NCUA Board about the condition of the National Credit Union Share Insurance Fund. The agency reported a flood of member and consumer inquiries about credit union safety, security and deposit insurance in the wake of IndyMac Bank takeover by federal regulators in July. CUNA and the state credit union league are working hard to help credit unions ensure current and potential members understand credit unions are safe, sound and federally insured. (CUNA photo)*

## SPECIAL EDITION: CUs Are Safe and Insured

CUNA is using—and creating—every opportunity to take the credit union system’s strong safety and soundness message to the public and to those in a position to reassure the public. For instance, CUNA President/CEO Dan Mica recently reminded Congress that America’s credit unions “remain healthy, vibrant, and well capitalized.”

Mica told each member of the House and Senate in a letter that the failure of IndyMac—not surprisingly—has led the media and the public to question the safety of their money in depository institutions.

“I am proud to report that America’s credit unions remain the safest of >> [See page 2](#)

## CUNA, Leagues Help CUs Spread Good News of Safety, Soundness

Large parts of the banking sector are in turmoil, yet credit unions continue to do well. Still, CUNA and the leagues recognize your members have legitimate concerns about current economic conditions—all this talk of a housing crisis and credit crunch, troubles with Fannie Mae and Freddie Mac, and a big bank failure.



Dan Mica

It is a lot for consumers to take in. It is unnerving.

That is why CUNA and the leagues are working on your behalf to reassure credit union members about the safety of their deposits in the credit union system and about the soundness of that system despite today’s upheavals.

This special edition of *Credit Union NewsWatch* encapsulates the many CUNA resources newly designed to help you and your staff calm the waters and assure members that credit unions are a safe, sound and secure place upon which to rely even—and especially—in tough times.

Inside

2 | NCUSIF Protection Strong at Mid-Year

Equity ratio expected to increase to 1.28% by year end.

2 | CUNA, Leagues Get Word Out on CUs

Media blitz highlights credit union safety and insurance.

3 | A Primer on Share Insurance Coverage

Helpful information credit unions can share with members.

5 | Operational Q&As about Share Insurance

Commonly asked questions asked by credit union staff.

## NCUSIF Protection Strong at Mid-Year, Says NCUA

In a press release issued before the agency's monthly meeting, Chairman JoAnn Johnson said the National Credit Union Share Insurance Fund (NCUSIF) stands strong with an equity ratio estimated at 1.24% as of June 30.

Johnson reminded that member deposits in federal and almost all state-chartered credit unions are federally insured by the NCUSIF, which in turn is backed by the full faith and credit of the United States government.

"Consumers who have federally insured funds in credit unions should rest

assured that their deposits are safe up to at least \$100,000 per account, with additional coverage of up to \$250,000 for certain retirement accounts," Johnson said.

She added that the fund's equity ratio is expected to increase to 1.28% by year end.

"While there are isolated instances of credit unions encountering difficulties, on the whole the credit union industry is healthy," Johnson assured. "The NCUSIF enters the second half of 2008 secure and well-capitalized." 🏠

📁 **Details on NCUSIF**  
[www.ncua.gov](http://www.ncua.gov)



NCUA Board Chairman JoAnn Johnson discusses the NCUSIF during her final NCUA board meeting on July 24. (CUNA photo)

### CUs Are Safe and Insured, Congress Reassured

▶ From page 1

all depository institutions," said the CUNA leader. "Credit unions have weathered every financial storm since the Great Depression without ever costing the American taxpayer a dime in any bailout."

Mica's letter was sent with an attached CUNA fact sheet, featured in this issue of *NewsWatch*, which underscored and expanded on these four important points:

- ▶ Credit unions as a whole are healthy, with strong balance sheets.
- ▶ Credit unions have steered clear of the subprime mess. We're still lending responsibly.
- ▶ Federal insurance covers credit unions, too.
- ▶ Credit unions are a safe harbor for consumer savings.

The letter and information also were sent to the lawmakers' legislative directors in Washington, as was well as their district directors back home.

"Credit unions remain the most tightly regulated and well-capitalized of all depository institutions and provide the same level of deposit insurance as their bank and thrift counterparts," underscored Mica to the lawmakers. 🏠

📁 **CUNA Factsheet**  
[www.cuna.org/download/CUs\\_Secure\\_Strong.pdf](http://www.cuna.org/download/CUs_Secure_Strong.pdf)

### CUNA, Leagues Get Word Out About CU Soundness

Through CUNA's efforts, credit unions as a safe haven for consumer savings were featured on CNN, *USA Today*, the *Wall Street Journal* and Fox Business Network.

CUNA continues to follow up with these and other media outlets, including the *Washington Post*, *Chicago Tribune*, Associated Press, Dow Jones News Service, *Time* magazine, *US News & World Report*, *Fortune*, CNN Money and syndicated personal finance columnists.

The association's Home & Family Finance Radio show—which airs in 56 markets plus American Forces Radio Network—featured NCUA Vice Chair Rodney Hood discussing credit union federal deposit insurance coverage.

League communications professionals also contacted the media with solid success. The Missouri CU Association, for example, was interviewed on a prominent St. Louis radio station to set the record straight after an earlier program guest said he didn't know if credit union funds were insured. A California CU League spokesman was on KNX radio in Los Angeles—which reaches about 1 million listeners. He contrasted the safety of credit unions to that of banks.

Beyond press work, leagues are fielding calls, offering guidance, and developing their own state-specific resources for their member credit unions.

CUNA's fact sheet, "America's Credit Unions: Secure, Strong" also was made available to credit unions, sent to Congress, posted prominently on the CUNA website's home page, consumer page and press room, and shared with the members of the press.

Access more resources using the link below.

📁 **Facts for Consumers about CU Safety and Insurance**  
[www.creditunion.coop](http://www.creditunion.coop)



CUNA Chief Economist Bill Hampel touts credit union safety and soundness during a live appearance on FOX Business TV. (CUNA photo)





## A Primer on Share Insurance Coverage For Individual Credit Union Members

Members are looking for answers about their credit union's safety, soundness and insurance. This information will help credit union staff explain to members how federal share insurance protects their savings—every day.

### The key point for most members:

If you have no more than \$100,000 in all your accounts at the credit union (whether savings accounts, certificates, a share draft checking account, and so forth), sleep soundly—all your funds are covered by federal share insurance.

If you have more than \$100,000 at the credit union, there is much more federal insurance coverage available, depending on how you've set up the ownership structure and possible beneficiaries of your accounts. And regardless of what other funds you have at the credit union, money you have in your Individual Retirement Accounts (IRAs)—traditional individual retirement accounts and any Roth IRAs at the credit union—is separately insured from any other accounts at the credit union up to \$250,000.

**What is federal insurance:** You'll see an insurance sign at the credit union with the big letters: "NCUA, National Credit Union Administration, a U.S. Government Agency." The insurance sign says: "Your savings federally insured to at least \$100,000 and backed by the full faith and credit of the United States Government." NCUA's insurance program for credit unions is just like the Federal Deposit Insurance Corporation's (FDIC) insurance program for banks.

The insurance funds are held by the U.S. Treasury, and they cannot be used for any other purpose. And in the very unlikely event that all the insurance funds are paid out, federal law requires that general revenue funds cover any

remaining insurance claims—that is why "the full faith and credit" of the U.S. government stands behind your insurance coverage. So in the very rare event your federally insured bank or credit union fails, you will get your insured savings back—you might be somewhat inconvenienced by a little paperwork, but you will get your money back.

### OVERVIEW OF SHARE INSURANCE COVERAGE

*Here's an overview of how federal share insurance applies to your credit union accounts, and how you can keep much more than \$100,000 at the credit union and still be fully insured. And these insurance coverages apply separately at each credit union (and each bank) where you keep funds. NCUA has more detailed information on its website at [www.ncua.gov](http://www.ncua.gov) about share insurance coverage.*

### FUNDS YOU HAVE IN YOUR INDIVIDUAL ACCOUNTS ARE INSURED TO \$100,000.

Any funds in any accounts (other than your IRA accounts) held in your

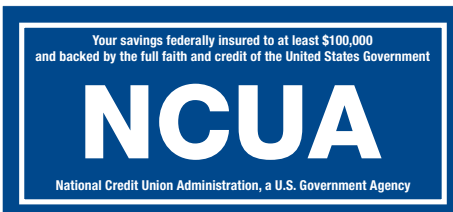
own name—and that do not list any beneficiaries in case of your death—are added together and insured up to \$100,000. These accounts include:

- ▶ Your individually-owned share accounts, share certificates and checking accounts.
- ▶ Any accounts that you use for business purposes where the business is not a legal partnership or a corporation—for example sole proprietorship or "doing business as" accounts. (A business will have its funds at the credit union separately insured up to \$100,000.)
- ▶ Any accounts where an agent, guardian or conservator for you is listed on the account as representing your personal interests.
- ▶ In community property states, accounts with only your name on them—community property laws don't affect share insurance coverage.

### FUNDS YOU HAVE IN JOINT ACCOUNTS ARE SEPARATELY INSURED TO \$100,000.

▶ If you have one or more joint accounts at the credit union, you are insured up to \$100,000 for your portion of all the funds you have in jointly-owned accounts. This is calculated separately from any insurance you have on accounts you own by yourself. And you can have different co-owners on various joint accounts at the

▶ See page 4





# >> Special Report

## A Primer on Share Insurance Coverage For Individual Credit Union Members

► From page 3

credit unions—your ownership interest in each of those accounts (regardless of whether they are joint checking accounts, jointly owned certificates or share accounts) are added together for joint account insurance coverage up to \$100,000.

► **Example:** If you and your spouse have \$180,000 in a joint account at the credit union, the account is fully insured (\$90,000 for you and \$90,000 for your spouse). If your son is added to the account so there are three joint owners, you can have up to \$300,000 in the account and the funds will be fully insured (\$100,000 for each of you). This coverage doesn't change even if you have a \$50,000 share certificate in your own name.

### FUNDS YOU HAVE IN "REVOCABLE TRUST ACCOUNTS" ARE ALSO SEPARATELY INSURED UP TO \$100,000 FOR EACH "QUALIFYING BENEFICIARY".

► A "revocable trust account" at a credit union typically is an account where you've designated a beneficiary (a "payable-on-death account" or POD), or where you have a formal "living trust" document and some or all of your funds are in accounts at the credit union with designated beneficiaries. In these types of accounts, you have full control over your funds and can switch beneficiaries any time you want.

► You have share insurance coverage up to \$100,000 for each a "qualifying beneficiary" separate from insurance you have on funds you hold in individual and joint accounts where you haven't listed beneficiaries. And if there is a jointly-owned revocable trust account, the interest of each owner held for the benefit of each qualifying beneficiary will be separately insured up to \$100,000.

► To be "qualifying beneficiaries," the person listed must have one of the following relationships with you: Spouse, child, grandchild, parent or sibling (including biological, adoptive or step relationships). (Note that if spouses set up a revocable trust naming only one another as the sole beneficiaries, the account will be insured as a joint account, not as a revocable trust account.)

► If you have a "nonqualifying beneficiary" listed as the POD (such as a nephew or an aunt), the account is still insured by adding the funds in it to any individual accounts you hold. If you have a son, daughter and nephew listed as beneficiaries, one-third of the account would be added to the funds in your individual accounts to determine insurance coverage.

► If NCUA were ever to have to pay out the funds, you as the owner of the revocable trust account would receive the funds, not the beneficiary—these rules are just to determine the amount of insurance coverage available.

Example: You and your spouse have an account on which you designate your son and daughter as the POD beneficiaries. Up to \$400,000 can be put in this account and be fully covered by federal share insurance. Why? You get \$100,000 insurance coverage because your son is listed as a beneficiary and another \$100,000 because your daughter is listed. Your spouse also gets the same coverage because the two children are listed and both are "qualifying beneficiaries".

► Additional qualifying relatives increase the maximum insurance coverage possible, but you can't increase insurance coverage merely by opening another account listing your daughter again as a POD—those POD accounts would be added together to determine

maximum revocable trust insurance coverage. And, remember, this \$400,000 coverage is in addition to any coverage you have on your individually-owned accounts, and any coverage you have on joint accounts that don't list qualifying beneficiaries.

### FUNDS YOU HAVE IN "IRREVOCABLE TRUST ACCOUNTS" ARE ALSO SEPARATELY INSURED UP TO \$100,000 PER BENEFICIARY.

► An irrevocable trust account is established by a formal written trust agreement in which the person creating the trust contributes money to the account and relinquishes all power to terminate the trust.

► If you establish one or more irrevocable trust accounts at the credit union for your son, those accounts are added together and are insured up to \$100,000, separately from any other accounts you have at the credit union. There is no "qualifying beneficiary" rule, so you can list anyone you want as a beneficiary of an irrevocable trust and still have separate insurance coverage up to \$100,000 for each beneficiary.

### AND FUNDS IN YOUR INDIVIDUAL RETIREMENT ACCOUNTS (IRAs) ARE INSURED SEPARATELY UP TO \$250,000.

► All your IRAs in the credit union are added together and insured up to \$250,000. IRAs include both traditional IRAs and Roth IRAs.

► Coverdell Educational Savings Accounts (which used to be referred to as "educational IRAs") are insured as irrevocable trust accounts. ■

**Learn More: How Your Accounts Are Insured**  
[www.ncua.gov/ShareInsurance](http://www.ncua.gov/ShareInsurance)