

August 12, 1997

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Re: Insurance of Accounts
Your Letter postmarked April 23, 1997

Dear []:

The Office of Public and Congressional Affairs forwarded your letter to the Office of General Counsel for response. We apologize for the delay in our reply, however, we did not receive your letter until May 28, 1997. You have asked for clarification as to how much National Credit Union Share Insurance Fund (NCUSIF) insurance coverage would be available for a combination of individual and joint accounts established at two different federal credit unions (FCU) by the same individual. Please note that accounts established by one individual at two different FCUs are insured separately provided the FCUs are truly two different FCUs, namely, that one is not just a branch office of the same FCU. Therefore, we are analyzing insurance coverage of accounts in only one FCU. The same coverage would be available on like accounts in another FCU.

ANALYSIS

Individually owned accounts are insured up to \$100,000 in the aggregate. 12 C.F.R. §745.3. Accounts owned by the same combination of joint owners are added together and insured up to \$100,000 as one joint account, not \$100,000 per joint owner. A person having an interest in multiple joint accounts, all with different combinations of individuals, receives only \$100,000 of insurance coverage for his or her total interest in such accounts. 12 C.F.R. §745.8(e). However, joint accounts are insured separately from any individual accounts owned by the joint owners provided the joint accounts are qualifying. 12 C.F.R. §745.8(b).

A joint account is qualifying if each joint owner has signed a signature card and has equal rights of withdrawal. Id. If one of the joint owners is a minor and state law restricts a minor's withdrawal rights, the joint account still would be considered qualifying. 12 C.F.R. §745, Appendix Part F.

Accounts not qualifying as joint accounts are insured as if individually owned by the joint owners in accordance with their actual ownership interests in the funds as determined under applicable state law. 12 C.F.R. §745.8(c) and Appendix Part F. Thus, where a joint account is non-qualifying, the interest of each joint owner would be added to his or her interest in any individually owned accounts and insured up to \$100,000 in the aggregate. 12 C.F.R. §745.8(c).

A member may establish a joint account with a nonmember if the joint account is with right of survivorship. 12 C.F.R. §745.8(f). A nonmember's interest in a joint account is insured in the same manner as a member's interest. 12 C.F.R. §745.8(f). For insurance purposes, joint owners with right of survivorship are deemed to have equal interests in the account. 12 C.F.R. §745, Appendix Part F.

You present a hypothetical scenario in which John Doe has established the following set of accounts in an FCU.

Account 1 - in the name of John Doe

Account 2 - in the name of John Doe and/or Jane Doe

Account 3 - in the name of John Doe and/or Ann Doe

Account 4 - in the name of John Doe and/or Peter Doe

The accounts were established when John Doe's children, Jane, Ann, and Peter, were minors; however, the children are no longer minors. At present, only John Doe is a member of the FCUs, and neither Jane, Ann, nor Peter has signed an application or signature card at either FCU. They are not aware that these joint accounts exist. You ask how much insurance coverage is available.

Under your hypothetical scenario, Accounts 1, 2, 3, and 4 would receive only \$100,000 of NCUSIF insurance coverage. The reason is that Accounts 2, 3, and 4 would not qualify as joint accounts and would be insured as if individually owned by the joint owners in accordance with their actual ownership interests in the funds.

Jane, Ann, and Peter have not signed a signature card and do not have the same rights of withdrawal as John Doe in Accounts 2, 3, and 4. Since it seems John Doe contributed all the funds in each Account, he would be recognized as the actual owner of the funds in Accounts 2, 3, and 4. Thus, John Doe's interest in Accounts 2, 3, and 4 would be added to his interest in Account 1 and insured for only \$100,000.

If Accounts 2, 3, and 4 were qualifying joint accounts, Account 1 would be insured for up to \$100,000, as John Doe's individual account, separately from Accounts 2, 3, and 4. As joint owners, John, Jane, Ann, and Peter would be presumed to have equal ownership interests in their respective joint accounts. Under that presumption, Jane, Ann, and Peter could each have up to \$50,000 of account insurance coverage for their respective interests in Accounts 2, 3, and 4. John Doe's interest in Accounts 2, 3, and 4 would be added together and insured up to an additional \$100,000.

For further guidance, enclosed is a copy of the NCUA pamphlet, "Your Insured Funds," and a copy of NCUA's Regulation Part 745 with the Appendix. If you need further assistance, please contact Nicole Sippial Williams, Staff Attorney, at 703-518-6540.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/NSW:bhs
SSIC 8000
97-0540

Enclosures

cc: Office of Public and Congressional Affairs (w/o enclosures)