

March 7, 1997

Angela Grace  
Compliance Officer  
East Texas Professional Credit Union  
Longview, Texas

Re: NCUSIF Insurance Coverage of Sub-Share Accounts  
(Your January 16, 1997, Letter)

Dear Ms. Grace:

The Office of Examination and Insurance has forwarded your letter to us for a response. You have asked us to clarify and explain the National Credit Union Share Insurance Fund (NCUSIF) insurance coverage of accounts. Specifically, you ask how accounts structured as "sub-share" accounts by your credit union are insured under the NCUSIF.

You state that your credit union structures the accounts of a member with more than one account as sub-share accounts. For example, if a member opens a regular share account, the member signs a signature card and is assigned a base account number (234310-0). If the same member wants to open a share draft account, the member signs a separate signature card and is assigned an account number based upon the base account number (234310-9). Further, if the same member opens a term share certificate account, the member signs another signature card and is assigned an account number also related to base account number (234310-1907). You note that the form of account ownership may be different for each of the sub-share accounts opened by the member.

The definition of an "account or accounts" is a share, share certificate or share draft of a member. 12 C.F.R. §745.1. "In general, all types of member share accounts received by a credit union in its usual course of business, including regular shares, share certificates, and share draft accounts, represent equity and are insured by the NCUSIF." 12 C.F.R. 745.0. As such, a member's account, although structured as a sub-share account, receives NCUSIF insurance coverage. The fact that a member has signed a separate signature card for each sub-share account opened does not affect the availability or amount of NCUSIF insurance coverage. However, what determines the amount of insurance coverage is how the accounts are owned, that is, whether the accounts are maintained by the member in the same or different rights and capacities. For example, if a member maintains both a regular share and a share draft account as single ownership accounts at the same credit union, the funds in both accounts will be added together and only insured up to \$100,000 in the aggregate -- whereas, if one account were opened as a single ownership account and the other as a joint ownership account, each account would be insured separately up to \$100,000. 12 C.F.R. §745.3(a); 12 C.F.R. 745.8(a).

Without having more specific information about the actual ownership interests of your members' sub-share accounts, we can only provide you with a general response as to the NCUSIF coverage of these accounts. However, enclosed for your review is a copy of NCUA's Regulation Part 745 and its appendix which sets forth the insurance coverage rules in greater detail. If you need further assistance, please contact Nicole Sippial Williams, Staff Attorney, at 703-518-6540.

Sincerely,

James J. Engel

Deputy General Counsel

GC/NSW:bhs

SSIC 8000

97-0139

Enclosures

cc: Region V Director

AMAC Director

Examination and Insurance Director