

**7535-01-U**

**NATIONAL CREDIT UNION ADMINISTRATION**

**12 CFR Parts 740 and 745**

**RIN 3133-AD54**

**RIN 3133-AD55**

**Display of Official Sign; Temporary Increase in Standard Maximum Share  
Insurance Amount; Coverage for Mortgage Servicing Accounts; Share Insurance  
for Revocable Trust Accounts**

**AGENCY:** National Credit Union Administration (NCUA).

**ACTION:** Final rule.

**SUMMARY:** NCUA is amending its share insurance rules to: (1) reflect Congress's extension, until December 31, 2013, of the temporary increase in the standard maximum share insurance amount ("SMSIA") from \$100,000 to \$250,000; and (2) finalize the interim final rules on revocable trust accounts, mortgage servicing accounts, and NCUA's official sign issued in October 2008.

**DATES:** This rule is effective [Insert date 30 days from publication in the FEDERAL REGISTER].

**FOR FURTHER INFORMATION CONTACT:** Frank Kressman, Staff Attorney, at the above address, or telephone: (703) 518-6540.

## **I. Supplementary Information**

### **A. Overview**

In October 2008, NCUA issued two interim final rules on four share insurance related matters: 1) the temporary increase in the SMSIA from \$100,000 to \$250,000 to December 31, 2009; 2) revisions to the rules on revocable trust accounts; 3) revisions to the rules on mortgage servicing accounts; and 4) NCUA's official sign. 73 F.R. 60616 (October 14, 2008); 73 F.R. 62856 (October 22, 2008). In this final rule, NCUA is amending its share insurance regulations to reflect Congress's extension of the temporary increase in the SMSIA from \$100,000 to \$250,000 through December 31,

2013, and is finalizing the referenced interim final rules on revocable trust accounts, mortgage servicing accounts, and NCUA's official sign.

#### **B. Extension of Temporary Increase in the SMSIA**

The Emergency Economic Stabilization Act of 2008 temporarily increased the SMSIA from \$100,000 to \$250,000, effective October 3, 2008, through December 31, 2009. Public Law 110-343 (October 3, 2008). On October 15, 2008, NCUA adopted an interim final rule amending its share insurance regulations to reflect this temporary increase. 73 F.R. 62856 (October 22, 2008). On May 20, 2009, the President signed the Helping Families Save Their Homes Act of 2009, which, among other provisions, extended the temporary increase in the SMSIA from December 31, 2009 to December 31, 2013. Public Law 111-22 (May 20, 2009). After December 31, 2013, the SMSIA will, by law, return to \$100,000.

This final rule amends NCUA's share insurance regulation to indicate that the increase in the SMSIA from \$100,000 to \$250,000 is effective through December 31, 2013 in accordance with the above statutory provisions. Because the extension of the SMSIA is fairly long term, NCUA also has updated the share insurance coverage examples currently in the regulation and appendix to the regulation and included additional examples to reflect \$250,000 as the SMSIA. NCUA believes this will help to avoid any confusion that might have resulted among credit unions and their members if the examples were to continue to use \$100,000 as the SMSIA.

### **C. Share Insurance Coverage of Revocable Trust Accounts**

On October 3, 2008, NCUA issued an interim final rule to make the coverage rules for revocable trust accounts easier to understand and apply. 73 F.R. 60616 (October 14, 2008). In particular, the interim rule eliminated the concept of “qualifying beneficiaries.” The elimination of the “qualifying beneficiary” concept was intended to achieve greater fairness by broadening the scope of eligible beneficiaries and facilitate share insurance determinations on revocable trust accounts. Also, the interim final rule provided a two-part share insurance coverage calculation method for revocable trust accounts. Under the rule, where a trust account owner has five times the SMSIA (\$1,250,000) or less in revocable trust accounts at one NCUA-insured credit union, the owner is insured up to the SMSIA (\$250,000) per beneficiary without regard to the exact beneficial interest of each beneficiary in the trust(s). For a revocable trust account owner with both more than \$1,250,000 and more than five beneficiaries named in the trust(s), the interim final rule insures the owner for the greater of \$1,250,000, or the aggregate total of all the beneficiaries’ actual interests in the trust(s) limited to \$250,000 for each beneficiary.

The interim final rule also sought to simplify the application of the share insurance rules to life-estate interests and irrevocable trusts springing from a revocable trust. It simplified the share insurance coverage rules to deem the value of each life estate interest to be the SMSIA amount. For example, where the owner/grantor creates a living trust account and provides a life estate interest for the owner’s/grantor’s spouse, in addition to specific bequests to named beneficiaries, the spousal interest is deemed

to be the SMSIA. Another complication is presented when an irrevocable trust springs from a revocable trust upon the owner's/grantor's death. In that context under the prior rules, the coverage of the trust account often would decrease because NCUA's rules governing irrevocable trust accounts were stricter than the rules governing revocable trust accounts.<sup>1</sup> To prevent this decrease in coverage, the interim final rule provided that irrevocable trust accounts would be governed by the same rules as revocable trust accounts when the irrevocable trust is created through the death of the owner/grantor of a revocable living trust.

NCUA received only three comments regarding the revocable trust account portion of the rule, none of which suggested any significant revisions.

This final rule closely follows the interim final rule, with minor revisions. Notably, in light of the statutory extension of the temporary increase in the SMSIA, the final rule reflects the new \$250,000 SMSIA, the new \$1,250,000 benchmark for revocable trust account

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<sup>1</sup> For example, assume that account owner/grantor "A" establishes a living trust that names three children as beneficiaries. Assume also that the trust agreement specifies that the revocable trust becomes an irrevocable trust upon the owner's/grantor's death. In this example, during the life of the owner, the insurance coverage of an account in the name of the trust would be determined by multiplying the number of beneficiaries, 3 in this instance, by the SMSIA of \$250,000. Thus, the account would be insured up to \$750,000. Following the death of the owner, however, the coverage would change because the trust itself would change from a revocable trust to an irrevocable trust. Under the prior rules, the coverage of an irrevocable trust account would depend upon whether the interests of the beneficiaries were contingent. For example, it could be contingent upon the beneficiary graduating from college or contingent upon the discretion of the trustee. Assuming that all beneficial interests were contingent, the coverage of the account would be \$250,000. Thus, in this example, the coverage would decrease from \$750,000 to \$250,000 following the death of the owner and following the expiration of NCUA's six-month grace period.

coverage, and revised examples using both of these dollar values to enhance their usefulness. NCUA also has provided additional examples illustrating how the revised rules would apply. By law, December 31, 2013 is the ending date for the \$250,000 SMSIA, after which the SMSIA will revert to \$100,000. At that time, NCUA will revisit the need to revise these limits and examples.

This final rule, like the interim final rule, eliminates the concept of “qualifying beneficiaries,” and requires only that a revocable trust beneficiary be a natural person, or a charity or other non-profit organization. The final rule also incorporates the interim final rule’s two-part calculation method for share insurance coverage of revocable trust accounts. While, as a result of the temporary increase in the SMSIA, the benchmark between the lower-dollar and higher-dollar revocable trust share insurance treatments has increased to \$1,250,000, from \$500,000 as set forth in the interim final rule, it is anticipated that the lower-balance treatment for revocable trust ownership interests falling below \$1,250,000 at one credit union will likely capture most revocable trust accounts, and this should advance NCUA’s goals of simplifying the treatment of unequal beneficial interests and quickening share insurance coverage determinations. The share insurance coverage calculation method for revocable trust ownership interests that are both above this \$1,250,000 benchmark and involve more than five beneficiaries, consistent with the interim final rule, will ensure that reasonable limits remain on the maximum coverage available to revocable trust account owners and avoid the potential of unlimited coverage being afforded to such accounts through contrived trust structures. Moreover, consistent with the interim final rule, where a

payable-on-death (POD) account owner names his or her living trust as a beneficiary of the POD account, for insurance purposes, NCUA will consider the beneficiaries of the trust to be the beneficiaries of the POD account.

#### **D. Mortgage Servicing Accounts**

Before October 2008, NCUA insured mortgage servicing accounts, previously known as custodial loan accounts, somewhat differently from how the Federal Deposit Insurance Corporation (FDIC) insured them. The interim final rule expanded share insurance coverage for this type of account by insuring the principal and interest portion of a mortgagor's payment separately from the mortgagor's individual accounts. The taxes and insurance premiums portion of a mortgagor's payment continues to be added together with the mortgagor's individual accounts and insured in the aggregate as it had been before the interim final rule.

Before October 2008, NCUA had considered all portions of a payment, including principal, interest, taxes, and insurance premiums, in such an account as the individually owned funds of the mortgagor/borrower. NCUA would aggregate payments with the owner's other individual accounts and insure them on a pass-through basis up to the SMSIA as a single ownership account. 12 CFR §745.3(a)(3). By contrast, FDIC considered the principal and interest portion of a payment in a mortgage servicing account as owned by and insured on a pass-through basis for the interest of the mortgagee/investor or security holder. FDIC considered the taxes and insurance premiums portion of a payment as owned by and insured on a pass-through basis for

the interest of the mortgagor. FDIC added deposits for taxes and insurance premiums with other agency or nominee accounts where the mortgagor was the principal and insured them up to the standard insurance amount for single ownership accounts. 12 CFR 330.7(d).

In October 2008, FDIC simplified the manner in which it insures mortgage servicing accounts because securitization methods and vehicles for mortgages have become more layered and complex, making it more difficult and time-consuming for a servicer to identify and determine the share of any investor in a securitization and in the principal and interest funds on deposit at an insured depository institution. FDIC believed this simplification would also prevent unexpected losses to investors who have far in excess of the current \$250,000 per-depositor insurance limit.

Specifically, FDIC determined it would provide insurance coverage on a per-mortgagor/borrower basis for both principal and interest payments and payments for taxes and insurance premiums. This is how NCUA already had been insuring mortgage servicing accounts. FDIC opted to insure a mortgagor's payment of principal and interest in a mortgage servicing account on a pass-through basis up to the current temporary \$250,000 limit separate from any other accounts of that mortgagor. NCUA believes this treatment of principal and interest payments provides greater and fairer coverage for credit union members and decided to take the same approach in its share insurance rules. FDIC determined to insure a mortgagor's payment of taxes and

insurance premiums in a mortgage servicing account on a pass-through basis but decided to add these funds to other individually owned funds held by that mortgagor at the same insured institution up to the current temporary \$250,000 limit. This is how NCUA already had been addressing that situation.

NCUA received only one comment regarding the mortgage servicing accounts portion of the interim final rule. It supports the rule change. This final rule adopts the amendments made in the interim final rule without change.

#### **E. Official Sign**

NCUA stated in the interim final rule published on October 22, 2008 that the temporary increase in the SMSIA from \$100,000 to \$250,000 called into question the usefulness of NCUA's official sign, as depicted in Part 740 of NCUA's rules, which includes a statement that member shares are insured to at least \$100,000. Obviously, that statement does not reflect the temporary coverage limit of \$250,000. NCUA knows from recent experience in revising the official sign that requiring credit unions to replace the sign with a revised sign would be an expensive and burdensome process. NCUA recognized the need to balance that burden with the need and desire to inform members they have increased insurance coverage to \$250,000. In that regard, NCUA revised its rules to provide insured credit unions with maximum flexibility. Specifically, under the interim final rule, insured credit unions had the option to: 1) continue to display the current official sign in Part 740, reflecting the \$100,000 limit, without penalty;

2) display any other version of the official sign distributed or approved by NCUA and appearing on NCUA's official website through December 31, 2013 that reflects the temporary increase to \$250,000; or 3) alter by hand or otherwise the current official sign to make it reflect the increase to \$250,000 provided the altered sign is legible and otherwise complies with Part 740. NCUA noted that an example of how an insured credit union could alter the sign by hand is to affix a sticker that reads "\$250,000" over the portion of the current sign that reads "\$100,000." Also, insured credit unions that do not change or alter the official sign should inform members about the temporary increase in account insurance through additional signage, for example, posting a sign in their lobbies or a notice on their websites that through December 31, 2013, accounts are insured for \$250,000.

NCUA received only one comment regarding the official sign portion of the interim final rule. That commenter supports the rule change. This final rule adopts the amendments made by the interim final rule without change other than to reflect the extended duration of the temporary SMSIA increase.

## **II. Regulatory Procedures**

### Regulatory Flexibility Act

The Regulatory Flexibility Act requires NCUA to prepare an analysis to describe any significant economic impact a rule may have on a substantial number of small entities (primarily those under ten million dollars in assets). This final rule implements

enhanced share insurance coverage and provides flexibility to credit unions.

Accordingly, it will not have a significant economic impact on a substantial number of small credit unions, and, therefore, no regulatory flexibility analysis is required.

#### Paperwork Reduction Act

NCUA has determined that this rule will not increase paperwork requirements under the Paperwork Reduction Act of 1995 and regulations of the Office of Management and Budget.

#### The Treasury and General Government Appropriations Act, 1999--Assessment of Federal Regulations and Policies on Families

NCUA has determined that this rule will not affect family well-being within the meaning of section 654 of the Treasury and General Government Appropriations Act, 1999, Pub.L. 105-277, 112 Stat. 2681 (1998).

#### Small Business Regulatory Enforcement Fairness Act

The Small Business Regulatory Enforcement Fairness Act of 1996 (Pub. L. 104-121) (SBREFA) provides generally for congressional review of agency rules. A reporting requirement is triggered in instances where NCUA issues a final rule as defined by Section 551 of the APA. 5 U.S.C. 551. The Office of Information and Regulatory Affairs, an office within the Office of Management and Budget, has determined that, for purposes of SBREFA, this is not a major rule.

## **List of Subjects**

### **12 CFR Part 740**

Advertisements, Credit unions, Signs and symbols.

### **12 CFR Part 745**

Credit unions, Share insurance.

By the National Credit Union Administration Board, this 22nd day of October 2009.

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Mary F. Rupp

Secretary of the Board

For the reasons discussed above, NCUA amends 12 CFR Parts 740 and 745 as follows:

**PART 740 — ACCURACY OF ADVERTISING AND NOTICE OF INSURED STATUS**

1. The authority citation for Part 740 continues to read as follows:

**Authority:** 12 U.S.C. 1766, 1781, 1789.

2. Section 740.4(b)(1) is amended by revising the last sentence to read as follows:

**§ 740.4 Requirements for the official sign.**

\* \* \* \* \*

(b) \* \* \*

(1) \* \* \* To address the temporary increase through December 31, 2013 in the standard maximum share insurance amount as defined in §745.1(e) of this chapter, insured credit unions may continue to display the official sign depicted in paragraph (b) of this section but should inform members of the increased coverage through additional signage indicating the temporary increase in coverage, display other versions of the official sign distributed or approved by

NCUA and appearing on NCUA’s official website, or alter by hand or otherwise the official sign depicted in paragraph (b) of this section for that purpose provided the altered sign is legible and otherwise complies with this part.

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## **PART 745 — SHARE INSURANCE AND APPENDIX**

3. The authority citation for Part 745 continues to read as follows:

**Authority:** 12 U.S.C. 1752(5), 1757, 1765, 1766, 1781, 1782, 1787, 1789.

4. Section 745.1(e) is revised to read as follows:

### **§ 745.1 Definitions.**

\* \* \* \* \*

(e) The term “standard maximum share insurance amount,” referred to as the “SMSIA” hereafter, means \$250,000 from October 3, 2008, until December 31, 2013. Effective January 1, 2014, the SMSIA means \$100,000 adjusted pursuant to subparagraph (F) of

section 11(a)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(1)(F)). All examples in this part use \$250,000 as the SMSIA.

5. Section 745.3(a)(3) is revised to read as follows:

**§ 745.3 Single Ownership Accounts.**

(a) \* \* \*

(3) *Mortgage servicing accounts.* Accounts maintained by a mortgage servicer, in a custodial or other fiduciary capacity, which are comprised of payments by mortgagors of principal and interest, shall be insured for the cumulative balance paid into the account by the mortgagors, up to the limit of the SMSIA per mortgagor. Accounts maintained by a mortgage servicer, in a custodial or other fiduciary capacity, which are comprised of payments by mortgagors of taxes and insurance premiums shall be added together and insured in accordance with paragraph (a)(2) of this section for the ownership interest of each mortgagor in such accounts. This provision is effective as of October 22, 2008, for all existing and future mortgage servicing accounts.

\* \* \* \* \*

6. Section 745.4 is revised to read as follows:

#### **§ 745.4 Revocable trust accounts.**

(a) *General rule.* Except as provided in paragraph (e) of this section, the funds owned by an individual and deposited into one or more accounts with respect to which the owner evidences an intention that upon his or her death the funds shall belong to one or more beneficiaries shall be separately insured (from other types of accounts the owner has at the same insured credit union) in an amount equal to the total number of different beneficiaries named in the account(s) multiplied by the SMSIA. This section applies to all accounts held in connection with informal and formal testamentary revocable trusts. Such informal trusts are commonly referred to as payable-on-death accounts, in-trust-for accounts or Totten Trust accounts, and such formal trusts are commonly referred to as living trusts or family trusts. (Example 1: Account Owner “A” has a living trust account with four different beneficiaries named in the trust. A has no other revocable trust accounts at the same NCUA-insured credit union. The maximum insurance coverage would be \$1,000,000, determined by multiplying 4 times \$250,000 (the number of beneficiaries times the SMSIA). (Example 2: Account Owner “A” has a payable-on-death account naming his niece and cousin as beneficiaries, and A also has, at the same NCUA-insured credit union, another payable-on-death account naming the same niece and a friend as beneficiaries. The maximum coverage available to the account owner would be \$750,000. This is because the account owner has named only three different beneficiaries in the revocable trust accounts – his niece and cousin in the first, and the same niece and a friend in the second. The naming of the same beneficiary in more than one revocable trust account, whether it be a payable-on-death

account or living trust account, does not increase the total coverage amount.) (Example 3: Account Owner “A” establishes a living trust account with a balance of \$300,000, naming his two children “B” and “C” as beneficiaries. A also establishes, at the same NCUA-insured credit union, a payable-on-death account, with a balance of \$300,000, also naming his children B and C as beneficiaries. The maximum coverage available to A is \$500,000, determined by multiplying 2 times \$250,000 (the number of different beneficiaries times the SMSIA). A is uninsured in the amount of \$100,000. This is because all funds that an owner holds in both living trust accounts and payable-on-death accounts, at the same NCUA-insured credit union and naming the same beneficiaries, are aggregated for insurance purposes and insured to the applicable coverage limits.)

(b) *Required intention and naming of beneficiaries.* The required intention in paragraph (a) of this section that upon the owner’s death the funds shall belong to one or more beneficiaries must be manifested in the title of the account or elsewhere in the account records of the credit union using commonly accepted terms such as, but not limited to, *in trust for, as trustee for, payable-on-death to*, or any acronym therefore, or by listing one or more beneficiaries in the account records of the credit union. In addition, for informal revocable trust accounts, the beneficiaries must be specifically named in the account records of the insured credit union. The settlor of a revocable trust shall be presumed to own the funds deposited into the account.

(c) *Definition of beneficiary.* For purposes of this section, a beneficiary includes a natural person as well as a charitable organization and other non-profit entity recognized as such under the Internal Revenue Code of 1986, as amended.

(d) *Interests of beneficiaries outside the definition of beneficiary in this section.* If a beneficiary named in a trust covered by this section does not meet the definition of beneficiary in paragraph (c) of this section, the funds corresponding to that beneficiary shall be treated as the individually owned (single ownership) funds of the owner(s). As such, they shall be aggregated with any other single ownership accounts of such owner(s) and insured up to the SMSIA per owner. (Example: Account Owner “A” establishes a payable-on-death account naming a pet as beneficiary with a balance of \$100,000. A also has an individual account at the same NCUA-insured credit union with a balance of \$175,000. Because the pet is not a “beneficiary,” the two accounts are aggregated and treated as a single ownership account. As a result, A is insured in the amount of \$250,000, but is uninsured for the remaining \$25,000.)

(e) *Revocable trust accounts with aggregate balances exceeding five times the SMSIA and naming more than five different beneficiaries.* Notwithstanding the general coverage provisions in paragraph (a) of this section, for funds owned by an individual in one or more revocable trust accounts naming more than five different beneficiaries and whose aggregate balance is more than five times the SMSIA, the maximum revocable trust account coverage for the account owner shall be the greater of either: five times the SMSIA or the aggregate amount of the interests of each different beneficiary named

in the trusts, to a limit of the SMSIA per different beneficiary. (Example 1: Account Owner “A” has a living trust with a balance of \$1 million and names two friends, “B” and “C” as beneficiaries. At the same NCUA-insured credit union, A establishes a payable-on-death account, with a balance of \$1 million naming his two cousins, “D” and “E” as beneficiaries. Coverage is determined under the general coverage provisions in paragraph (a), and not this paragraph. This is because all funds that A holds in both living trust accounts and payable-on-death accounts, at the same NCUA-insured credit union, are aggregated for insurance purposes. Although A’s aggregated balance of \$2 million is more than five times the SMDIA, A names only four different beneficiaries, and coverage under this paragraph (e) applies only if there are more than five different beneficiaries. A is insured in the amount of \$1 million (4 beneficiaries times the SMSIA), and uninsured for the remaining \$1 million.) (Example 2: Account Owner “A” has a living trust account with a balance of \$1,500,000. Under the terms of the trust, upon A’s death, A’s three children are each entitled to \$125,000, A’s friend is entitled to \$15,000, and a designated charity is entitled to \$175,000. The trust also provides that the remainder of the trust assets shall belong to A’s spouse. In this case, because the balance of the account exceeds \$1,250,000 (5 times the SMSIA) and there are more than five different beneficiaries named in the trust, the maximum coverage available to A would be the greater of: \$1,250,000 or the aggregate of each different beneficiary’s interest to a limit of \$250,000 per beneficiary. The beneficial interests in the trust for purposes of determining coverage are: \$125,000 for each of the children (totaling \$375,000), \$15,000 for the friend, \$175,000 for the charity, and \$250,000 for the spouse (because the spouse’s \$935,000 is subject to the \$250,000 per-beneficiary

limitation). The aggregate beneficial interests total \$815,000. Thus, the maximum coverage afforded to the account owner would be \$1,250,000, the greater of \$1,250,000 or \$815,000.

(f) *Co-owned revocable trust accounts.* (1) Where an account described in paragraph (a) of this section is established by more than one owner, the respective interest of each account owner (which shall be deemed equal) shall be insured separately, per different beneficiary, up to the SMSIA, subject to the limitation imposed in paragraph (e) of this section. (Example 1: A and B, two individuals, establish a payable-on-death account naming their three nieces as beneficiaries. Neither A nor B has any other revocable trust accounts at the same NCUA-insured credit union. The maximum coverage afforded to A and B would be \$1,500,000, determined by multiplying the number of owners (2) times the SMSIA (\$250,000) times the number of different beneficiaries (3). In this example, A would be entitled to revocable trust coverage of \$750,000 and B would be entitled to revocable trust coverage of \$750,000. (Example 2: A and B, two individuals, establish a payable-on-death account naming their two children, two cousins, and a charity as beneficiaries. The balance in the account is \$1,750,000. Neither A nor B has any other revocable trust accounts at the same NCUA-insured credit union. The maximum coverage would be determined under paragraph (a) of this section by multiplying the number of account owners (2) times the number of different beneficiaries (5) times \$250,000, totaling \$2,500,000. Because the account balance (\$1,750,000) is less than the maximum coverage amount (\$2,500,000), the account would be fully insured. (Example 3: A and B, two individuals, establish a living trust

account with a balance of \$3.75 million. Under the terms of the trust, upon the death of both A and B, each of their three children is entitled to \$600,000, B's cousin is entitled to \$380,000, A's friend is entitled to \$70,000, and the remaining amount (\$1,500,000) goes to a charity. Under paragraph (e) of this section, the maximum coverage, as to each co-owned account owner, would be the greater of \$1,250,000 or the aggregate amount (as to each co-owner) of the interest of each different beneficiary named in the trust, to a limit of \$250,000 per account owner per beneficiary. The beneficial interests in the trust considered for purposes of determining coverage for account owner A are: \$750,000 for the children (each child's interest attributable to A, \$300,000, is subject to the \$250,000-per-beneficiary limitation), \$190,000 for the cousin, \$35,000 for the friend, and \$250,000 for the charity (the charity's interest attributable to A, \$750,000, is subject to the \$250,000 per-beneficiary limitation). As to A, the aggregate amount of the beneficial interests eligible for deposit insurance coverage totals \$1,225,000. Thus, the maximum coverage afforded to account co-owner A would be \$1,250,000, which is the greater of \$1,250,000 or the aggregate of all the beneficial interests attributable to A (limited to \$250,000 per beneficiary), which totaled slightly less at \$1,225,000. Because B has equal ownership interest in the trust, the same analysis and coverage determination also would apply to B. Thus, of the total account balance of \$3.75 million, \$2.5 million would be insured and \$1.25 million would be uninsured.)

(2) Notwithstanding paragraph (f)(1) of this section, where the owners of a co-owned revocable trust account are themselves the sole beneficiaries of the corresponding trust, the account shall be insured as a joint account under section 745.8 and shall not be

insured under the provisions of this section. (Example: If A and B establish a payable-on-death account naming themselves as the sole beneficiaries of the account, the account will be insured as a joint account because the account does not satisfy the intent requirement (under paragraph (a) of this section) that the funds in the account belong to the named beneficiaries upon the owners' death. The beneficiaries are in fact the actual owners of the funds during the account owners' lifetimes.)

(g) For deposit accounts held in connection with a living trust that provides for a life estate interest for designated beneficiaries, NCUA shall value each such life estate interest as the SMSIA for purposes of determining the insurance coverage available to the account owner under paragraph (e) of this section. (Example: Account Owner "A" has a living trust account with a balance of \$1,500,000. Under the terms of the trust, A provides a life estate interest for his spouse. Moreover, A's three children are each entitled to \$275,000, A's friend is entitled to \$15,000, and a designated charity is entitled to \$175,000. The trust also provides that the remainder of the trust assets shall belong to A's granddaughter. In this case, because the balance of the account exceeds \$1,250,000 (5 five times the SMSIA) and there are more than five different beneficiaries named in the trust, the maximum coverage available to A would be the greater of: \$1,250,000 or the aggregate of each different beneficiary's interest to a limit of \$250,000 per beneficiary. The beneficial interests in the trust considered for purposes of determining coverage are: \$250,000 for the spouse's life estate, \$750,000 for the children (because each child's \$275,000 is subject to the \$250,000 per-beneficiary limitation), \$15,000 for the friend, \$175,000 for the charity, and \$250,000 for the

granddaughter (because the granddaughter's \$310,000 remainder is limited by the \$250,000 per-beneficiary limitation). The aggregate beneficial interests total \$1,440,000. Thus, the maximum coverage afforded to the account owner would be \$1,440,000, the greater of \$1,250,000 or \$1,440,000.)

(h) *Revocable trusts that become irrevocable trusts.* Notwithstanding the provisions in section 745.9-1 on the insurance coverage of irrevocable trust accounts, if a revocable trust account converts in part or entirely to an irrevocable trust upon the death of one or more of the trust's owners, the trust account shall continue to be insured under the provisions of this section. (Example: Assume A and B have a trust account in connection with a living trust, of which they are joint grantors. If upon the death of either A or B the trust transforms into an irrevocable trust as to the deceased grantor's ownership in the trust, the account will continue to be insured under the provisions of this section.)

(i) This section shall apply to all existing and future revocable trust accounts and all existing and future irrevocable trust accounts resulting from formal revocable trust accounts.

7. Section 745.8 is revised by adding a new section (b) and redesignating the current sections (b), (c), and (d) as sections (c), (d) and (e), respectively, to read as follows:

**§ 745.8 Joint ownership accounts.**

\* \* \* \* \*

(b) *Determination of insurance coverage.* The interests of each co-owner in all qualifying joint accounts shall be added together and the total shall be insured up to the SMSIA. (Example: “A&B” have a qualifying joint account with a balance of \$150,000; “A&C” have a qualifying joint account with a balance of \$200,000; and “A&B&C” have a qualifying joint account with a balance of \$375,000. A’s combined ownership interest in all qualifying joint accounts would be \$300,000 (\$75,000 plus \$100,000 plus \$125,000); therefore, A’s interest would be insured in the amount of \$250,000 and uninsured in the amount of \$50,000. B’s combined ownership interest in all qualifying joint accounts would be \$200,000 (\$75,000 plus \$125,000); therefore, B’s interest would be fully insured. C’s combined ownership interest in all qualifying joint accounts would be \$225,000 (\$100,000 plus \$125,000); therefore, C’s interest would be fully insured.

\* \* \* \* \*

8. The Appendix to Part 745 is revised to read as follows:

What Is the Purpose of This Appendix?

The following examples illustrate insurance coverage on accounts maintained in the same federally-insured credit union. They are intended to cover various types of ownership interests and combinations of accounts which may occur in connection with funds invested in insured credit unions. These examples interpret the rules for insurance of accounts contained in 12 CFR part 745 and focus on those accounts for which examples are not provided in the regulatory text.

The examples, as well as the rules which they interpret, are predicated upon the assumption that: (1) invested funds are actually owned in the manner indicated on the credit union's records and (2) the owner of funds in an account is a credit union member or otherwise eligible to maintain an insured account in a credit union. If available evidence shows that ownership is different from that on the institution's records, the National Credit Union Share Insurance Fund may pay claims for insured accounts on the basis of actual rather than ostensible ownership. Further, the examples and the rules which they interpret do not extend insurance coverage to persons otherwise not entitled to maintain an insured account or to account relationships that have not been approved by the NCUA Board as an insured account.

#### *A. How Are Single Ownership Accounts Insured?*

All funds owned by an individual member (or, in a community property state, by the husband-wife community of which the individual is a member) and invested in one or more individual accounts are added together and insured to the \$250,000 maximum. This is true whether the accounts are maintained in the name of the individual member owning the funds or in the name of the member's agent or nominee. (§745.3(a)(1) and

(2.) All such accounts are added together and insured as one individual account. Funds held in one or more accounts in the name of a guardian, custodian, or conservator for the benefit of a ward or minor are added together and insured up to \$250,000. However, such an account or accounts will not be added to any other individual accounts of the guardian, custodian, conservator, ward, or minor for purposes of determining insurance coverage. (§745.3(b).) A mortgage servicing account maintained by a mortgage servicer, in a custodial or other fiduciary capacity, comprised of payments by a mortgagor of principal and interest is insured for the cumulative balance paid into the account by the mortgagor, up to \$250,000 for the mortgagor separately from other individual accounts of the mortgagor. A mortgage servicing account maintained by a mortgage servicer, in a custodial or other fiduciary capacity, comprised of payments by a mortgagor of taxes and insurance premiums shall be added together with the mortgagor's other individual accounts and insured up to \$250,000. (§745.3(a)(3).)

#### Example 1

Question: Members A and B, husband and wife, each maintain an individual account containing \$250,000. What is the insurance coverage?

Answer: Each account is separately insured up to \$250,000, for a total coverage of \$500,000. The coverage would be the same whether the individual accounts contain funds owned as community property or as individual property of the spouses (§745.3(a)(1)).

#### Example 2

Question: Members H and W, husband and wife, reside in a community property state. H maintains a \$250,000 account consisting of his separately-owned funds and invests \$250,000 of community property funds in another account, both of which are in his name alone. What is the insurance coverage?

Answer: The two accounts are added together and insured to a total of \$250,000. \$250,000 is uninsured (§745.3(a)(1)).

#### Example 3

Question: Member A has \$192,500 invested in an individual account, and his agent, Member B, invests \$125,000 of A's funds in a properly designated agency account. B also holds a \$250,000 individual account. What is the insurance coverage?

Answer: A's individual account and the agency account are added together and insured to the \$250,000 maximum, leaving \$67,500 uninsured. The investment of funds through an agent does not result in additional insurance coverage for the principal (§745.3(a)(2)). B's individual account is insured separately from the agency account (§745.3(a)(1)). However, if the account records of the credit union do not show the agency relationship under which the funds in the \$125,000 account are held, the \$250,000 in B's name could, at the option of the NCUSIF, be added to his individual account and insured to \$250,000 in the aggregate, leaving \$125,000 uninsured (§745.2(c)).

#### Example 4

Question: Member A holds a \$250,000 individual account. Member B holds two accounts in his own name, the first containing \$125,000 and the second containing \$192,500. In processing the claims for payment of insurance on these accounts, the NCUSIF discovers that the funds in the \$125,000 account actually belong to A and that B had invested these funds as agent for A, his undisclosed principal. What is the insurance coverage?

Answer: Since the available evidence shows that A is the actual owner of the funds in the \$125,000 account, those funds would be added to the \$250,000 individual account held by A (rather than to B's \$192,500 account) and insured to the \$250,000 maximum,

leaving \$125,000 uninsured. (§745.3(a)(2).) B's \$192,500 individual account would be separately insured.

#### Example 5

Question: Member C, a minor, maintains an individual account of \$750. C's grandfather makes a gift to him of \$250,000, which is invested in another account by C's father, designated on the credit union's records as custodian under a Uniform Gift to Minors Act. C's father, also a member, maintains an individual account of \$250,000. What is the insurance coverage?

Answer: C's individual account and the custodian account held for him by his father are each separately insured: The \$250,000 maximum on the custodian account, and \$750 on his individual account. The individual account held by C's father is also separately insured to the \$250,000 maximum. (§745.3 (a)(1) and (b).)

#### Example 6

Question: Member G, a court-appointed guardian, invests in a properly designated account \$250,000 of funds in his custody which belong to member W, his ward. W and G each maintain \$25,000 individual accounts. What is the insurance coverage?

Answer: W's individual account and the guardianship account in G's name are each insured to \$250,000 providing W with \$275,000 in insured funds. G's individual account is also separately insured. (§745.3 (a)(1) and (b).)

#### Example 7

Question: Member A has three individual accounts at the same NCUA-insured credit union. Account #1 is a \$250,000 individual account. Account #2 is a mortgage servicing account maintained by a mortgage servicer, in a custodial or other fiduciary capacity, comprised of payments by Member A of principal and interest in the amount of \$3,000. Account #3 is a mortgage servicing account maintained by a mortgage servicer, in a custodial or other fiduciary capacity, comprised of payments by Member A of taxes and insurance premiums in the amount of \$1,500. What is the insurance coverage?

Answer: Accounts # 1 and #3 are added together and insured up to \$250,000, leaving \$1,500 uninsured. Account #2 is separately insured up to \$250,000.

*B. How Are Accounts Held by Executors or Administrators Insured?*

All funds belonging to a decedent and invested in one or more accounts, whether held in the name of the decedent or in the name of his executor or administrator, are added together and insured to the \$250,000 maximum. Such funds are insured separately from the individual accounts of any of the beneficiaries of the estate or of the executor or administrator.

#### Example 1

Question: Member A, administrator of Member D's estate, sells D's automobile and invests the proceeds of \$12,500 in an account entitled "A Administrator of the estate of D." A has an individual account in that same credit union containing \$250,000. Prior to his death, D had opened an individual account of \$250,000. What is the insurance coverage?

Answer: The \$12,500 is added to D's individual account and insured to \$250,000, leaving \$12,500 uninsured. A's individual account is separately insured for \$250,000 (\$745.5).

*C. How Are Accounts Held by a Corporation, Partnership or Unincorporated Association Insured?*

All funds invested in an account or accounts by a corporation, a partnership or an unincorporated association engaged in any independent activity are added together and insured to the \$250,000 maximum. The term “independent activity” means any activity other than the one directed solely at increasing coverage. If the corporation, partnership or unincorporated association is not engaged in an independent activity, any account held by the entity is insured as if owned by the persons owning or comprising the entity, and the imputed interest of each such person is added for insurance purposes to any individual account which he maintains.

#### Example 1

Question: Member X Corporation maintains a \$250,000 account. The stock of the corporation is owned by members A, B, C, and D in equal shares. Each of these stockholders also maintains an individual account of \$250,000 with the same credit union. What is the insurance coverage?

Answer: Each of the five accounts would be separately insured to \$250,000 if the corporation is engaged in an independent activity and has not been established merely for the purpose of increasing insurance coverage. The same would be true if the business were operated as a bona fide partnership instead of as a corporation (§745.6). However, if X corporation was not engaged in an independent activity, then \$62,500 (1/4 interest) would be added to each account of A, B, C, and D. The accounts of A, B,

C, and D would then each be insured to \$250,000, leaving \$62,500 in each account uninsured.

### Example 2

Question: Member C College maintains three separate accounts with the same credit union under the titles: "General Operating Fund," "Teachers Salaries," and "Building Fund." What is the insurance coverage?

Answer: Since all of the funds are the property of the college, the three accounts are added together and insured only to the \$250,000 maximum (§745.6).

### Example 3

Question: The men's club of X Church carries on various social activities in addition to holding several fund-raising campaigns for the church each year. The club is supported by membership dues. Both the club and X Church maintain member accounts in the same credit union. What is the insurance coverage?

Answer: The men's club is an unincorporated association engaged in an independent activity. If the club funds are, in fact, legally owned by the club itself and not the church, each account is separately insured to the \$250,000 maximum (§745.6).

#### Example 4

Question: The PQR Union, a member of the ABC Federal Credit Union, has three locals in a certain city. Each of the locals maintains an account containing funds belonging to the parent organization. All three accounts are in the same insured credit union. What is the insurance coverage?

Answer: The three accounts are added together and insured up to the \$250,000 maximum (§745.6).

#### *D. How Are Accounts Held by Government Depositors Insured?*

For insurance purposes, the official custodian of funds belonging to a public unit, rather than the public unit itself, is insured as the account holder. All funds belonging to a public unit and invested by the same custodian in a federally-insured credit union are categorized as either share draft accounts or share certificate and regular share accounts. If these accounts are invested in a federally-insured credit union located in

the jurisdiction from which the official custodian derives his authority, then the share draft accounts will be insured separately from the share certificate and regular share accounts. Under this circumstance, all share draft accounts are added together and insured to the \$250,000 maximum and all share certificate and regular share accounts are also added together and separately insured up to the \$250,000 maximum. If, however, these accounts are invested in a federally-insured credit union located outside of the jurisdiction from which the official custodian derives his authority, then insurance coverage is limited to \$250,000 for all accounts regardless of whether they are share draft, share certificate or regular share accounts. If there is more than one official custodian for the same public unit, the funds invested by each custodian are separately insured. If the same person is custodian of funds for more than one public unit, he is separately insured with respect to the funds of each unit held by him in properly designated accounts.

For insurance purposes, a “political subdivision” is entitled to the same insurance coverage as any other public unit. “Political subdivision” includes any subdivision of a public unit or any principal department of such unit: (1) the creation of which has been expressly authorized by state statute, (2) to which some functions of government have been allocated by state statute, and (3) to which funds have been allocated by statute or ordinance for its exclusive use and control.

Example 1

Question: As Comptroller of Y Consolidated School District, A maintains a \$275,000 account in the credit union containing school district funds. He also maintains his own \$250,000 member account in the same credit union. What is the insurance coverage?

Answer: The two accounts will be separately insured, assuming the credit union's records indicate that the account containing the school district funds is held by A in a fiduciary capacity. Thus, \$250,000 of the school's funds and the entire \$250,000 in A's personal account will be insured (§745.10(a)(2) and §745.3).

#### Example 2

Question: A, as city treasurer, and B, as chief of the city police department, each have \$250,000 in city funds invested in custodial accounts. What is the insurance coverage?

Answer: Assuming that both A and B have official custody of the city funds, each account is separately insured to the \$250,000 maximum (§745.10(a)(2)).

#### Example 3

Question: A is Treasurer of X County and collects certain tax assessments, a portion of which must be paid to the state under statutory requirement. A maintains an account for general funds of the county and establishes a separate account for the funds which belong to the State Treasurer. The credit union's records indicate that the separate account contains funds held for the State. What is the insurance coverage?

Answer: Since two public units own the funds held by A, the accounts would each be separately insured to the \$250,000 maximum (§745.10(a)(2)).

#### Example 4

Question: A city treasurer invests city funds in each of the following accounts: "General Operating Account," "School Transportation Fund," "Local Maintenance Fund," and "Payroll Fund." Each account is available to the custodian upon demand. By administrative direction, the city treasurer has allocated the funds for the use of and control by separate departments of the city. What is the insurance coverage?

Answer: All of the accounts are added together and insured in the aggregate to \$250,000. Because the allocation of the city's funds is not by statute or ordinance for the specific use of and control by separate departments of the city, separate insurance

coverage to the maximum of \$250,000 is not afforded to each account (§§745.1(d) and 745.10(a)(2)).

#### Example 5

Question: A, the custodian of retirement funds of a military exchange, invests \$2,500,000 in an account in an insured credit union. The military exchange, a non-appropriated fund instrumentally of the United States, is deemed to be a public unit. The employees of the exchange are the beneficiaries of the retirement funds but are not members of the credit union. What is the insurance coverage?

Answer: Because A invested the funds on behalf of a public unit, in his capacity as custodian, those funds qualify for \$250,000 share insurance even though A and the public unit are not within the credit union's field of membership. Since the beneficiaries are neither public units nor members of the credit union they are not entitled to separate share insurance. Therefore, \$2,250,000 is uninsured (§745.10(a)(1)).

#### Example 6

Question: A is the custodian of the County's employee retirement funds. He deposits \$2,500,000 in retirement funds in an account in an insured credit union. The

“beneficiaries” of the retirement fund are not themselves public units nor are they within the credit union's field of membership. What is the insurance coverage?

Answer: Because A invested the funds on behalf of a public unit, in his capacity as custodian, those funds qualify for \$250,000 share insurance even though A and the public unit are not within the credit union's field of membership. Since the beneficiaries are neither public units nor members of the credit union they are not entitled to separate share insurance. Therefore, \$2,250,000 is uninsured (§745.10(a)(2)).

#### Example 7

Question: A county treasurer establishes the following share draft accounts in an insured credit union each with \$250,000:

“General Operating Fund”

“County Roads Department Fund”

“County Water District Fund”

“County Public Improvement District Fund”

“County Emergency Fund”

What is the insurance coverage?

Answer: The “County Roads Department,” “County Water District” and “County Public Improvement District” accounts would each be separately insured to \$250,000 if the funds in each such account have been allocated by law for the exclusive use of a separate county department or subdivision expressly authorized by State statute. Funds in the “General Operating” and “Emergency Fund” accounts would be added together and insured in the aggregate to \$250,000, if such funds are for countywide use and not for the exclusive use of any subdivision or principal department of the county, expressly authorized by State statute (§§745.1(d) and 745.10(a)(2)).

#### Example 8

Question: A, the custodian of Indian tribal funds, lawfully invests \$2,500,000 in an account in an insured credit union on behalf of 15 different tribes; the records of the credit union show that no tribe's interest exceeds \$250,000. A, as official custodian, also invests \$2,500,000 in the same credit union on behalf of 100 individual Indians, who are not members; each Indian's interest is \$10,000. What is the insurance coverage?

Answer: Because each tribe is considered a separate public unit, the custodian of each tribe, even though the same person, is entitled to separate insurance for each tribe

(§745.10(a)(5)). Since the credit union's records indicate no tribe has more than \$250,000 in the account, the \$2,500,000 would be fully insured as 15 separate tribal accounts. If anyone tribe had more than a \$250,000 interest in the funds, it would be insured only to \$250,000 and any excess would be uninsured.

However, the \$2,500,000 invested on behalf of the individual Indians would not be insured since the individual Indians are neither public units nor, in the example, members of the credit union. If A is the custodian of the funds in his capacity as an official of a governmental body that qualified as a public unit, then the account would be insured for \$250,000, leaving \$2,250,000 uninsured.

#### Example 9

Question: A, an official custodian of funds of a state of the United States, lawfully invests \$500,000 of state funds in a federally-insured credit union located in the state from which he derives his authority as an official custodian. What is the insurance coverage?

Answer: If A invested the entire \$500,000 in a share draft account, then \$250,000 would be insured and \$250,000 would be uninsured. If A invested \$250,000 in share draft accounts and another \$250,000 in share certificate and regular share accounts,

then A would be insured for \$250,000 for the share draft accounts and \$250,000 for the share certificate and regular share accounts leaving nothing uninsured (§745.10(a)(2)). If A had invested the \$500,000 in a federally-insured credit union located outside the state from which he derives his authority as an official custodian, then \$250,000 would be insured for all accounts regardless of whether they were share draft, share certificate or regular share accounts, leaving \$250,000 uninsured (§745.10(b)).

*E. How Are Trust Accounts and Retirement Accounts Insured?*

A trust estate is the interest of a beneficiary in an irrevocable express trust, whether created by trust instrument or statute, which is valid under state law. Thus, funds invested in an account by a trustee under an irrevocable express trust are insured on the basis of the beneficial interests under such trust. The interest of each beneficiary in an account (or accounts) established under such a trust arrangement is insured to \$250,000 separately from other accounts held by the trustee, the settlor (grantor), or the beneficiary. However, in cases where a beneficiary has an interest in more than one trust arrangement created by the same settlor, the interests of the beneficiary in all accounts established under such trusts are added together for insurance purposes, and the beneficiary's aggregate interest derived from the same settlor is separately insured to the \$250,000 maximum.

A beneficiary's interest in an account established pursuant to an irrevocable express trust arrangement is insured separately from other beneficial interests (trust estates) invested in the same account if the value of the beneficiary's interest (trust estate) can be determined (as of the date of a credit union's insolvency) without evaluation of contingencies except for those covered by the present worth tables and rules of calculation for their use set forth in §20.2031–10 of the Federal Estate Tax Regulations (26 CFR 20.2031–10). If any trust estates in such an account cannot be so determined, the insurance with respect to all such trust estates together shall not exceed \$250,000.

In order for insurance coverage of trust accounts to be effective in accordance with the foregoing rules, certain recordkeeping requirements must be met. In connection with each trust account, the credit union's records must indicate the name of both the settlor and the trustee of the trust and must contain an account signature card executed by the trustee indicating the fiduciary capacity of the trustee. In addition, the interests of the beneficiaries under the trust must be ascertainable from the records of either the credit union or the trustee, and the settlor or beneficiary must be a member of the credit union. If there are two or more settlors or beneficiaries, then either all the settlors or all the beneficiaries must be members of the credit union.

Although each ascertainable trust estate is separately insured, it should be noted that in short-term trusts the insurable interest or interests may be very small, since the

interests are computed only for the duration of the trust. Thus, if a trust is made irrevocable for a specified period of time, the beneficial interest will be calculated in terms of the length of time stated. A reversionary interest retained by the settlor is treated in the same manner as an individual account of the settlor.

As stated, the trust must be valid under local law. A trust which does not meet local requirements, such as one imposing no duties on the trustee or conveying no interest to the beneficiary, is of no effect for insurance purposes. An account in which such funds are invested is considered to be an individual account.

IRA and Keogh accounts are separately insured, each up to \$250,000. Although credit unions may serve as trustees or custodians for self-directed IRA, Roth IRA and Keogh accounts, once the funds in those accounts are taken out of the credit union, they are no longer insured.

In the case of an employee retirement fund where only a portion of the fund is placed in a credit union account, the amount of insurance available to an individual participant on his interest in the account will be in proportion to his interest in the entire employee retirement fund. If, for example, the member's interest represents 10% of the entire plan funds, then he is presumed to have only a 10% interest in the plan account. Said

another way, if a member has a vested interest of \$10,000 in a municipal employees retirement plan and the trustee invests 25% of the total plan funds in a credit union, the member would be insured for only \$2,500 on that credit union account. There is an exception, however. The member would be insured for \$10,000 if the trustee can document, through records maintained in the ordinary course of business, that individual beneficiary's interests are segregated and the total vested interest of the member was, in fact, invested in that account.

#### Example 1

Question: Member S invests \$250,000 in trust for B, the beneficiary. S also has an individual account containing \$250,000 in the same credit union. What is the insurance coverage?

Answer: Both accounts are fully insured. The trust account is separately insured from the individual account of S (§§745.3(a)(1) and 745.9-1).

#### Example 2

Question: S invests funds in trust for A, B, C, D, and E. A, B, and C are members of the credit union, D, E and S are not. What is the insurance coverage?

Answer: This is an uninsurable account. Where there is more than one settlor or more than one beneficiary, all the settlors or all the beneficiaries must be members to establish this type of account. Since D, E and S are not members, this account cannot legally be established or insured.

#### Example 3(a)

Question: Member T invests \$5,000,000 in trust for ABC Employees Retirement Fund. Some of the participants are members and some are not. What is the insurance coverage?

Answer: The account is insured as to the determinable interests of each participant to a maximum of \$250,000 per participant regardless of credit union member status. T's member status is also irrelevant. Participant interests not capable of evaluation shall be added together and insured to a maximum of \$250,000 in the aggregate (§745.9–2).

#### Example 3(b)

Question: T is trustee for the ABC Employees Retirement Fund containing \$1,000,000. Fund participant A has a determinable interest of \$90,000 in the Fund (9% of the total).

T invests \$500,000 of the Fund in an insured credit union and the remaining \$500,000 elsewhere. Some of the participants of the Fund are members of the credit union and some are not. T does not segregate each participant's interest in the Fund. What is the insurance coverage?

Answer: The account is insured as to the determinable interest of each participant, adjusted in proportion to the Fund's investment in the credit union, regardless of the membership status of the participants or trustee. A's insured interest in the account is \$45,000, or 9% of \$500,000. This reflects the fact that only 50% of the Fund is in the account and A's interest in the account is in the same proportion as his interest in the overall plan. All other participants would be similarly insured. Participants' interests not capable of evaluation are added together and insured to a maximum of \$250,000 in the aggregate (§745.9–2).

#### Example 4

Question: Member A has an individual account of \$250,000 and establishes an IRA account and accumulates \$250,000 in that account. Subsequently, A becomes self-employed and establishes a Keogh account in the same credit union and accumulates \$250,000 in that account. What is the insurance coverage?

Answer: Each of A's accounts would be separately insured as follows: the individual account for \$250,000, the maximum for that type of account; the IRA account for \$250,000, the maximum for that type of account; and the Keogh account for \$250,000, the maximum for that type of account. (§§745.3(a)(1) and 745.9-2).

#### Example 5

Question: Member A has a self-directed IRA account with \$70,000 in it. The FCU is the trustee of the account. Member transfers \$40,000 into a blue chip stock; \$30,000 remains in the FCU. What is the insurance coverage?

Answer: Originally, the full \$70,000 in A's IRA account is insured. The \$40,000 is no longer insured once it is moved out of the FCU. The \$30,000 remaining in the FCU is insured (§745.9-2).