

NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314

DATE: March 2006 **LETTER NO.:** 06-CU-05
TO: Federally Insured Credit Unions
SUBJ: Share Insurance Coverage (Deposit Insurance Reform)

Dear Board of Directors:

President Bush recently signed two pieces of legislation reforming federal deposit insurance. The new laws ([Federal Deposit Insurance Reform Act of 2005](#) and [Federal Deposit Insurance Reform Conforming Amendments Act of 2005](#)) amend the share insurance coverage provided by the National Credit Union Administration (NCUA) through the National Credit Union Share Insurance Fund (NCUSIF) and the deposit insurance provided by the Federal Deposit Insurance Corporation (FDIC).

Credit Unions and their members should know the new laws maintain parity between insurance coverage offered by NCUA and the FDIC. They should also know NCUA issued an interim final rule with request for comments implementing these changes today. In the near future, credit unions and their members can expect the following:

- ¾ An increase in NCUSIF coverage to \$250,000 for certain retirement accounts, such as individual retirement accounts and Keogh accounts. This change will occur as soon as NCUA can implement the statutory changes;
- ¾ An expansion of NCUSIF coverage to provide for pass-through coverage on employee benefit plans at the adequately and well capitalized institutions that may accept them; and
- ¾ Changes to pertinent regulations requiring the NCUA's official signage to display the statement that insured accounts are "*backed by the full faith and credit of the United States Government.*"

Other changes to insurance coverage will occur later on. Beginning in 2010, the NCUA and FDIC will jointly consider whether an inflation adjustment to the maximum insurance amount is appropriate and in what amount it should be

increased. This consideration and decision will then be made every five years thereafter. Additionally, the NCUA and FDIC will be conducting studies on the feasibility of other changes to federal share and deposit insurance systems.

I encourage you to share these exciting changes with your members. America's 85 million credit union members will greatly benefit from this reform. NCUA looks forward to working with credit unions to safely and soundly implement these share insurance enhancements.

Should you have questions, please contact your district examiner, regional office, or state supervisory authority.

Sincerely,

/s/

JoAnn Johnson
Chairman