



CUNA & Affiliates
A Member of the Credit Union System

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VIA E-MAIL – regcomments@ncua.gov

August 11, 2006

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: CUNA Comments on Proposed Rule – Part 740

Dear Ms. Rupp:

The Credit Union National Association (CUNA) appreciates the opportunity to comment on the proposed rule to amend the share insurance rules as they apply to the share insurance official sign. These changes are required under certain provisions of the deposit insurance reform law that Congress passed last year. The deposit insurance reform law also raised the share insurance limit for certain retirement accounts from \$100,000 to \$250,000, as well as outlined the procedures in which the \$100,000 limit for other accounts may be adjusted for inflation, beginning in 2010. CUNA represents approximately 90 percent of our nation's 8,800 state and federal credit unions, which serve nearly 87 million members.

Summary of CUNA's Comments

- We suggest additional wording be included on the share insurance official sign that specifically references the new share insurance limits for certain retirement accounts, such as "certain retirement accounts are insured up to \$250,000." We also suggest that the word "are" be inserted in the share insurance official sign so that it reads "[y]our savings are (emphasis added) federally insured to at least \$100,000 and backed by the full faith and credit of the United States Government."
- The National Credit Union Administration (NCUA) has requested comment as to whether 60 days is a sufficient time period to require the display of the new official sign, with the 60-day period beginning on the date the credit union receives the initial supply of signs from NCUA. Our understanding of the current rules and the proposal is that this time period would only apply to the share insurance official signs that must be displayed at each station or



window at the credit union's branches and principal place of business, as well as on the Internet website on the pages in which the credit union accepts deposits or accounts. We request that NCUA either confirm this interpretation or indicate whether it believes this time period would also include other materials that include the official sign. Credit unions are very concerned about this interpretation and the costs that would be incurred if they were required to change all their materials.

- With regard to the proposed 60-day time period, we believe this should be extended to at least six months for the official signs that must be displayed at the credit union's stations or windows and on the Internet webpages in which the credit union accepts deposits or accounts.
- If NCUA believes that the compliance time period would include other materials that include the official sign, then we request that credit unions be permitted to exhaust all current materials before being required to make the necessary changes.

As required under the deposit reform law, the NCUA share insurance official sign will now indicate that share accounts insured by NCUA are backed by the full faith and credit of the United States Government. The sign will also indicate that shares are insured "to at least" \$100,000 to reflect that certain retirement accounts will now be insured up to \$250,000.

We suggest that additional wording be included on the official sign that specifically references the higher share insurance limits for certain retirement accounts. This could be in the form of a brief, additional sentence that reads "Certain retirement accounts are insured up to \$250,000," or any other similar wording that conveys the same meaning.

Also, as proposed, the pertinent language in the official sign will read "[y]our savings federally insured to at least \$100,000 and backed by the full faith and credit of the United States Government." We suggest that the word "are" be inserted after the word "savings" so that the sentence would now read "[y]our savings are federally insured to at least \$100,000 and backed by the full faith and credit of the United States Government." We believe this will improve the readability of this sentence, without changing the meaning. Otherwise, the consumer reading the sign may believe that a word is missing, which may lead to confusion.

The proposed rule also includes the provisions of the deposit insurance reform law that impose a penalty of up to \$100 per day for each day that an insured credit union violates NCUA's rules regarding the share insurance official sign and the official advertising statement that the credit union must include in their advertisements. As required under the current rules, NCUA will provide insured credit unions with an initial supply of the revised official sign, at no cost to the credit union, and will make a downloadable graphic available on the agency website for credit unions to use on their websites.

In the proposed rule, NCUA has requested comment as to whether 60 days is a sufficient time period to require the display of the new official sign, with the 60-day period beginning on the date that the credit union receives the initial supply of signs from NCUA. Unfortunately, this proposed time period has generated a significant amount of concern by credit unions because they believe this time period would also cover all the materials they generate that include the official sign

Our understanding of the current rules and the proposal is that the time period imposed by NCUA would only apply to the share insurance official signs that must be displayed at each station or window at the credit union's branches and principal place of business, as well as on the Internet website on the pages in which the credit union accepts deposits or accounts. Under the rules, these are the only required instances in which the official sign must be displayed.

Credit unions often place the official sign on a wide range of other materials, such as account booklets, disclosures, handouts, or printed materials. In many instances, the official signs are used in lieu of the official advertising statement that credit unions are required to use in their advertisements. The official statement does not mention the insurance limits, but merely states that "[t]his credit union is federally insured by the National Credit Union Administration." The rules currently permit credit unions to substitute the official sign for the official advertising statement.

Again, our interpretation of the rules is that the 60-day time period would only apply to the official signs that must be displayed at each station or window at the credit union's branches and principal place of business and on the Internet webpages in which the credit union accepts deposits or accounts. This is not only based on our interpretation of the current rules, but also because the proposed time period begins at the time the credit union receives the initial supply from NCUA. It would not make sense to apply this time period to other written materials produced by the credit union, since changes to those materials would not be dependent on receiving the initial supply from NCUA.

Because a number of credit unions are concerned that this time period would also cover all the materials they generate that include the official sign, NCUA should immediately communicate to credit unions its interpretation as to whether the compliance period would apply to all materials or only to the official signs that must be displayed at each station or window at the credit union's branches and principal place of business and on the Internet webpages in which the credit union accepts deposits or accounts. Not only are credit unions concerned about their compliance responsibilities, but many may already be in the process of making changes to all their materials that incorporate the official sign. These credit unions are now incurring significant expenses that may not be necessary,

based on our interpretation of these rules, and this adds to the need for NCUA to provide a clear interpretation as soon as possible.

If NCUA agrees with our interpretation that the time period for compliance would only apply to official signs displayed at the credit union's stations or windows and on the applicable Internet webpages, we request that the time period for compliance be at least six months, as opposed to the proposed 60-day time period. Although many credit unions may be able to comply within 60 days, a number of credit unions have requested additional time to ensure they will be able to be in full compliance with these changes before being subjected to the \$100 per day penalties.

We believe the benefit of providing credit unions with extra time to comply with these changes far outweighs any possible burdens to credit union members, especially since this is a situation in which share insurance is being expanded. A relatively short 60-day time period may certainly be appropriate if, for example, share insurance were being reduced, since it would be critical for members to know this as soon as possible so that they could react appropriately. However, the need to provide this information this quickly would not be relevant in the current situation in which share insurance is being expanded. In this situation, expanding the compliance period by an additional four months should not adversely affect members or affect their decisions regarding their credit union accounts.

If NCUA disagrees with our interpretation and believes the compliance time period applies to all materials that include the official sign, then we request that NCUA continue to allow credit unions to use their existing supplies of materials that include the official sign before any changes are made, even if the supplies are used beyond the 60-day time period, or any other time period that NCUA provides. Again, we recognize this would not apply to the official signs that must be displayed at each station or window at the credit union's branches and principal place of business and on the Internet webpages in which the credit union accepts deposits or accounts. For those signs, we understand the need for a specific time period for compliance, but again request that it be at least six months instead of 60 days.

Without this flexibility for the other materials, credit unions will incur significant costs associated with reprinting these various items, such as account booklets, disclosures, handouts, or other printed materials, as well as the cost of disposing the unused inventory. This burden far outweighs the benefit of imposing a specific time period for these types of materials, especially since in many instances the signs are in lieu of the required advertising statement. Since the advertising statement merely states that the credit union is federally insured by NCUA, even a slightly outdated official sign will still provide the basic information that is included in the advertising statement and it is, therefore, unnecessary to

require credit unions to bear the significant costs that would be incurred if they were not permitted to exhaust their current supplies.

Thank you for the opportunity to comment on the proposed rule to amend the share insurance rules. If you or other Board staff have questions about our comments, please give Senior Vice President and Deputy General Counsel Mary Dunn or me a call at (202) 638-5777.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Bloch", is written over a light blue rectangular background.

Jeffrey Bloch
Senior Assistant General Counsel