



December 20, 2023

Ms. Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

RE: Simplification of Share Insurance Rules (RIN 3133-AF53)

Dear Ms. Conyers-Ausbrooks,

On behalf of its member credit unions, the Cooperative Credit Union Association, Inc. ("Association") appreciates the opportunity to comment on the National Credit Union Administration's (NCUA) proposed rule on Simplification of Share Insurance. The Association is the state trade association representing approximately 200 state and federally-chartered credit unions located in the states of Delaware, Massachusetts, New Hampshire, and Rhode Island, which further serve over 3.6 million consumer members. The Association has developed these comments in consultation with our members.

The Association's High-Level Comments

- The Association generally supports the NCUA Board's proposal to simplify its share insurance rules with respect to insurance of trust accounts, mortgage servicing accounts, and agent accounts. In most respects, we believe that simplification of these rules will reduce regulatory burden on federally-insured credit unions while maintaining parity with FDIC-insured institutions.
- We strongly support the Board's proposal to update its coverage of mortgage servicing accounts to maintain parity with the FDIC's 2022 updates to its deposit insurance rules. We urge the Board to finalize this aspect of the rule as proposed.
- We support providing \$250,000 in share insurance coverage per beneficiary of a trust account, up to a maximum \$1,250,000 per grantor in parity with FDIC, however, we urge the Board to clarify in the final rule that a trust with more than one grantor—such as a trust established by a husband and wife—should have a maximum coverage amount of \$1,250,000 per grantor.
- We also urge the Board to grandfather current levels of share insurance coverage for trust or other accounts in the limited set of circumstances where finalization of the proposal could result in a decrease in share insurance coverage for existing accounts, such as if a member is the grantor of both an

irrevocable trust and a revocable one at the same credit union (since the proposal would combine these two share insurance categories).

The Association's Detailed Comments

Would the proposed amendments to the share insurance rules make insurance coverage for trust accounts easier to understand for FICUs and the public?

Yes, we believe the proposed simplification will make the NCUA's share insurance rules significantly easier for both credit unions and consumers to understand, which should reduce regulatory burdens on credit unions as well as aid members of the public in understanding NCUA insurance coverage.

Would grandfathering be appropriate with respect to the proposed rule's coverage limit of \$1,250,000 per FICU for an accountholder's funds held in trust accounts?

Yes, the Association strongly urges the Board to grandfather the current maximum share insurance coverage levels for existing trust accounts. While primarily relevant to trusts with more than five beneficiaries, consumers who opened these accounts under the existing rules expect to maintain their current level of coverage. Doing so should not increase insurance loss risk to the Share Insurance Fund relative to current policy. Moreover, any reduction in share insurance coverage for accounts represents a reputational risk to the NCUA share insurance which could reduce public confidence in the credit union system.

We also urge the Board to clarify that the maximum level of coverage of \$1,250,000 per grantor of a trust can be aggregated if there is more than one grantor, such as to \$2,500,000 for a trust with two grantors, (e.g., a trust established by a married couple to benefit their large family).

Should informal revocable trust accounts that are established with a right of survivorship be treated akin to joint accounts with member and nonmember co-owners who own the account with a right of survivorship?

Yes, we believe the credit union membership requirement should be satisfied so long as at least one member is named on the account.

Would share insurance coverage of servicer principal and interest advances help to promote financial stability in the financial system?

Yes, providing a NCUA share insurance coverage for these mortgage servicing account (MSA) items in parity WITH FDIC would help promote financial stability by reducing financial institutions' counterparty risk exposure, which also reduces liquidity risk to the credit union holding the MSAs.

Should a trustee who deposits funds at a FICU pursuant to a revocable or irrevocable trust they administer be considered to be maintaining a member account, providing share insurance coverage to eligible beneficiaries?

Yes. The credit union membership requirement should be satisfied so long as at least one member is named on the account

Would the proposed amendments to the recordkeeping requirements in part 745 provide adequate clarity for FICUs, members, and other relevant third parties as to the records the NCUA will look to in evaluating the details of account relationships and the interests of other parties in accounts maintained at FICUs?

We support the proposed recordkeeping requirements which, for example, require “underlying account records of the insured credit union must sufficiently indicate the existence of the relationship on which a claim for insurance is founded.” We urge the Board to finalize this aspect of the rule as proposed.

Should the NCUA consider adopting heightened requirements for FISCUs to those applicable to FDIC-insured institutions that have more than 2 million share or deposit accounts and, if so, should NCUA set a lower number for the minimum number of accounts before this requirement applies?

No, the Association does not support creating heightened recordkeeping requirements for large credit unions. We believe that the generally applicable recordkeeping requirements are more than sufficient for credit unions of all sizes, and that imposing additional paperwork burdens in this regard is not warranted. Should the Board choose to impose such requirements, we urge the Board to use the FDIC’s 2 million accounts minimum instead of setting a lower threshold.

Thank you for the opportunity to comment on the NCUA’s proposed Simplification of Share Insurance Rules. If you have any questions or desire further information, please do not hesitate to contact the Association at (508) 481-6755 or govaff-reg@ccua.org.

Sincerely,



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