



NATIONAL CREDIT UNION ADMINISTRATION

Washington, DC 20456

September 1, 1987

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3232.

Office of General Counsel

Mr. Michael J. Horgan  
Vice President/General Manager  
Brokerage Information Systems  
1600 Sacramento Inn Way  
Suite 216  
Sacramento, California 95815

Dear Mr. Horgan:

Chairman Jepsen referred your letter dated August 21, 1987, to this Office for a response.

You stated in your letter that under West's Ann. Cal. Bus & Prof. Code §10145(a), a real estate broker that accepts funds belonging to another in connection with a real estate transaction can deposit such funds into a trust fund account maintained by the broker in a "recognized depository." You further stated that under Cal. Bus. & Prof. Code §10145(d), the funds maintained in such an account must be insured by a Federal agency. You then stated that you would like to inform California real estate brokers that they could deposit such funds in the California Real Estate Credit Union (Credit Union), and asked whether the Credit Union would be in violation of the Federal Credit Union (FCU) Act or the NCUA Rules and Regulations if it acted as a "recognized depository."

We would begin by noting that, as the Credit Union is not a federally-chartered credit union but is a State-chartered credit union, it is primarily regulated by State law rather than by the NCUA. Due to the fact that the Credit Union is insured by the National Credit Union Share Insurance Fund (NCUSIF), it is subject to some of the NCUA Rules and Regulations. However, the issue of whether the Credit Union can be a "recognized depository" is one that must be determined under State law. We suggest that you or your attorney review the relevant California law to make this determination. While reviewing California law, we suggest that you re-examine Cal. Bus. & Prof. Code §10145(a) and (d). It would appear that these sections concern the establishment of different types of accounts, and that the latter section does not authorize the deposit of funds in a credit union (either Federal or state-chartered).

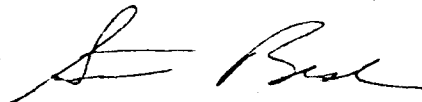
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Mr. Michael J. Horgan  
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Your letter assumes that if the Credit Union can be a "recognized depository," any funds it receives in this function will be insured by the NCUSIF at \$100,000 per account. NCUSIF insurance is afforded only to member accounts of NCUSIF-insured credit unions. See, Section 207(c)(1) of the Federal Credit Union Act (12 U.S.C. §1787(c)(1)). Therefore, essential to any analysis of insurance coverage is the determination of the membership status of the depositor seeking coverage. Your letter does not contain sufficient facts for this Office to make a determination as to whether, and in what amount, the trust fund accounts you referred to would be insured by the NCUSIF. To assist you in making this determination, we are enclosing a copy of Part 745 of the NCUA Rules and Regulations which describes the insurance coverage of various types of member accounts, including trust accounts. We are also enclosing an NCUA booklet entitled "Your Insured Funds," which provides examples of insurance coverage under the NCUA Rules and Regulations.

We trust this has been of assistance.

Sincerely,



STEVEN R. BISKER  
Assistant General Counsel

JT:sg

Enclosure

## §745.0 Scope.

The regulation and appendix contained in this Part describe the insurance coverage of various types of member accounts. In general, all types of member share accounts received by the credit union in its usual course of business, including regular shares, share certificates, and share draft accounts, represent equity and are insured. For the purposes of applying the rules in this Part, it is presumed that the owner of funds in an account is an insured credit union member or otherwise eligible to maintain an insured account in a credit union. These rules do not extend insurance coverage to persons not entitled to maintain an insured account or to account relationships that have not been approved by the Board as an insured account. Where there are multiple owners of a single account, generally only that part which is allocable to the member(s) is insured.

## §745.1 Definitions.

(a) The terms "account" or "accounts" as used in this Part mean share, share certificate or share draft accounts (or their equivalent under state law, as determined by the Board in the case of insured state credit unions) of a member (which includes other credit unions, public units and nonmembers, where permitted under the Act) in a credit union of a type approved by the Board which evidences money or its equivalent received or held by a credit union in the usual course of business and, for which it has given or is obligated to give credit to the account of the member.

(b) The terms "member" or "members" as used in this Part mean those persons enumerated in the credit union's field of membership who have been elected to membership in accordance with the Act or state law in the case of state credit unions. It also includes those nonmembers permitted under the Act to maintain accounts in an insured credit union, including nonmember credit unions and nonmember public units and political subdivisions.

(c) The term "public unit" means the United States, any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Panama Canal Zone, any territory or possession of the United States, any county, municipality, or political subdivision thereof, or any Indian tribe as defined in Section 3(c) of the Indian Financing Act of 1974.

## Part 745

Clarification and Definition  
of Account Insurance Coverage  
and Appendix

(d) The term "political subdivision" includes any subdivision of a public unit, as defined in (c) above, or any principal department of such public unit, (1) the creation of which subdivision or department has been expressly authorized by state statute, (2) to which some functions of government have been delegated by state statute, and (3) to which funds have been allocated by statute or ordinance for its exclusive use and control. It also includes drainage, irrigation, navigation improvement, levee, sanitary, school or power districts and bridge or port authorities, and other special districts created by state statute or compacts between the states. Excluded from the term are subordinate or nonautonomous divisions, agencies, or boards within principal departments.

§745.2 General Principles Applicable in  
Determining Insurance of Accounts.

(a) General: This Part provides for determination by the Board of the amount of members' insured accounts. The rules for determining the insurance coverage of accounts maintained by members in the same or different rights and capacities in the same insured credit union are set forth in the following provisions of this Part. The Appendix provides examples of the application of these rules to various factual situations. Insofar as rules of local law enter into such determinations, the law of the jurisdiction in which the insured credit union's principal office is located shall govern.

(b) The regulations in this Part in no way are to be interpreted to authorize any type of account that is not authorized by Federal law or regulation or State law or regulation or by the bylaws of a particular credit union. The purpose is to be as inclusive as possible of all situations.

(c) Records: (1) The account records of the insured credit union shall be conclusive as to the existence of any relationship pursuant to which the funds in the account are deposited and on which a claim for insurance coverage is founded. Examples would be trustee, agent, custodian, or executor. No claim for insurance based on such a relationship will be recognized in the absence of such disclosure.

(2) If the account records of an insured credit union disclose the existence of a relationship which may provide a basis for additional insurance, the details of the relationship and the interest of other parties in the account must be ascertainable either from the records of the credit union or the records of the member maintained in good faith and in the regular course of business.

(3) The account records of an insured credit union in connection with a trust account shall disclose the name of both the settlor (grantor) and the trustee of the trust and shall contain an account signature card executed by the trustee.

(4) The interests of the co-owners of a joint account shall be deemed equal, unless otherwise stated on the insured credit union's records in the case of a tenancy in common.

(d) Valuation of trust interests: (1) Trust interests in the same trust deposited in the same account will be separately insured if the value of the trust interest is capable of determination, without evaluation of contingencies, except for those covered by the present worth tables and rules of calculation for their use set forth in §20.2031-7 of the Federal Estate Tax Regulations (26 C.F.R. 20.2031-7).

(2) In connection with any trust in which certain trust interests are not capable of evaluation in accordance with the foregoing rule, payment by the Board to the trustee with respect to all such trust interests shall not exceed the basic insured amount of \$100,000.

(3) Each trust interest in any trust established by two or more settlors shall be deemed to be derived from each settlor pro rata to his contribution to the trust.

(4) The term "trust interest" means the interest of a beneficiary in an irrevocable express trust, whether created by trust instrument or statute, but does not include any interest retained by the settlor.

### §745.3 Single Ownership Accounts.

(a) Funds owned by an individual and deposited in the manner set forth below shall be added together and insured up to \$100,000 in the aggregate.

(1) *Individual accounts.* Funds owned by an individual (or by the husband-wife community of which the individual is a member) and deposited in one or more accounts in the individual's own name shall be insured up to \$100,000 in the aggregate.

(2) *Accounts held by agents or nominees.* Funds owned by a principal and deposited in one or more accounts in the name or names of agents or nominees shall be added to any individual account of the principal and insured up to \$100,000 in the aggregate.

(3) *Custodial loan accounts.* Loan payments received by a Federal credit union prior to remittance to other parties to whom the loan was sold pursuant to Section 107(13) of the Federal Credit Union Act and Section 701.23 of NCUA's Regulations shall be considered to be funds owned by the borrower and shall be added to any individual accounts of the borrower and insured up to \$100,000 in the aggregate.

(b) Funds held by a guardian, custodian, or conservator for the benefit of his ward or for the benefit of a minor under a Uniformed Gifts to Minors Act and deposited in one or more accounts in the name of the guardian, custodian, or conservator are insured up to \$100,000 in the aggregate, separately from any other accounts of the guardian, custodian, conservator, ward, or minor.

### §745.4 Testamentary Accounts.

(a) The term "testamentary account" refers to a revocable trust account, tentative or "Totten" trust account, "payable-on-death" account, or any similar account which evidences an intention that the funds shall pass on the death of the owner of the funds to named beneficiary.

(b) If the named beneficiary of a testamentary account is a spouse, child, or grandchild of the owner, the account shall be insured up to \$100,000 in the aggregate as to each such beneficiary.

separately from any other accounts of the owner or beneficiary, regardless of the membership status of the beneficiary.

(c) If the named beneficiary of a testamentary account is other than the owner's spouse, child, or grandchild, the funds in such account shall be added to any individual accounts of such owner and insured by \$100,000 in the aggregate.

### §745.5 Accounts Held by Executors or Administrators

Funds of a decedent held in the name of the decedent or in the name of the executor or administrator of the decedent's estate and deposited in one or more accounts shall be insured up to \$100,000 in the aggregate for all such accounts, separately from the individual accounts of the beneficiaries of the estate or of the executor or administrator.

### §745.6 Accounts Held by a Corporation, Partnership, or Unincorporated Association

Accounts of a corporation, partnership, or unincorporated association engaged in any independent activity shall be insured up to \$100,000 in the aggregate. The account of a corporation, partnership, or unincorporated association not engaged in an independent activity shall be deemed to be owned by the person or persons owning such corporation or comprising such partnership or unincorporated association and, for account insurance purposes, the interest of each person in such an account shall be added to any other account individually owned by such person and insured up to \$100,000 in the aggregate. For purposes of this section, "independent activity" means an activity other than one directed solely at increasing insurance coverage.

### §745.7 (Reserved)

### §745.8 Joint Accounts

(a) Separate insurance coverage. Accounts owned jointly, whether as joint tenants with right of survivorship, as tenants by the entireties, as

tenants in common, or by husband and wife as community property, shall be insured separately from accounts individually owned by any of the co-owners.

(b) Qualifying joint accounts. Joint accounts are insured separately from individual accounts up to a maximum of \$100,000 provided that each of the co-owners has personally signed an account signature card and has a right of withdrawal on the same basis as the other co-owners.

(c) Failure to qualify. An account owned jointly which does not qualify as a joint account for purposes of insurance of accounts shall be treated as owned by the named persons as individuals and the actual ownership interest of each such person in such account shall be added to any other accounts individually owned by such person and insured up to \$100,000 in the aggregate. An account will not fail to qualify as a joint account if a joint owner is a minor and applicable state law limits or restricts a minor's withdrawal rights.

(d) Same combination of individuals. All joint accounts owned by the same combination of individuals shall be added together and insured up to \$100,000 in the aggregate.

(e) Different combination of individuals. A person holding an interest in more than one joint account owned by different combinations of individuals may receive a maximum of \$100,000 insurance coverage on the total of his interest in those joint accounts.

(f) Nonmember joint owners. A nonmember may become a joint owner with a member on a joint account with right of survivorship. The nonmember's interest in such accounts will be insured in the same manner as the member joint-owner's interest.

### §745.9-1 Trust Accounts

(a) For purposes of this section, "trust" refers to an irrevocable trust.

(b) All trust interests (as defined in subsection 745.2(d)(4)), for the same beneficiary, deposited in an account and established pursuant to valid trust agreements created by the same settlor (grantor) shall be added together and insured up to \$100,000 in the aggregate, separately from other accounts of the trustee of such trust funds or the settlor or beneficiary of such trust arrangements.

**§745.9-2 IRA/Keogh Accounts.**

(a) The present vested ascertainable interest of a participant or designated beneficiary in a trust or custodial account maintained pursuant to a pension or profit-sharing plan described under §401(d) (Keogh account) or §408(a) (IRA) of the Internal Revenue Code shall each be insured up to \$100,000 separately from other accounts of the participant or designated beneficiary. An IRA account shall be separately insured from a Keogh account.

(b) Upon liquidation of the credit union, any share insurance payment shall be made by the NCUA Board to the trustee or custodian, or the successor trustee or custodian, unless otherwise directed in writing by the plan participant or beneficiary.

**§745.9-3 Deferred Compensation Accounts.**

Funds deposited by an employer pursuant to a deferred compensation plan (including §401(K) of the Internal Revenue Code) shall be insured up to \$100,000 as to the interest of each plan participant who is a member, separately from other accounts of the participant or employer.

**§745.10 Public Unit Accounts.**

(a) Public funds invested in Federal credit unions and federally-insured state credit unions authorized to accept such investments shall be insured as follows:

(1) Each official custodian of funds of the United States lawfully investing the same in a federally-insured credit union shall be separately insured up to \$100,000;

(2) Each official custodian of funds of any state of the United States or any county, municipality, or political subdivision thereof lawfully investing the same in a federally-insured credit union in the same state shall be separately insured up to \$100,000;

(3) Each official custodian of funds of the District of Columbia lawfully investing the same in a federally-insured credit union in the District of Columbia shall be separately insured up to \$100,000;

(4) Each official custodian of funds of the Commonwealth of Puerto Rico, the Panama Canal Zone, or any territory or possession of the United States, or any county, municipality, or political subdivision thereof lawfully investing the same in a federally-insured credit union in Puerto Rico, the Panama Canal Zone, or any such territory or possession, respectively, shall be separately insured up to \$100,000;

(5) Each official custodian of tribal funds of any Indian tribe (as defined in Section 3(c) of the Indian Financing Act of 1974) or agency thereof lawfully investing the same in a federally-insured credit union shall be separately insured up to \$100,000.

(b) Each official custodian referred to in subsections (a)(2), (3), and (4) of this section lawfully investing such funds in a federally-insured credit union outside their respective jurisdictions shall be separately insured up to \$100,000; and

(c) For purposes of this section, if the same person is an official custodian of more than one public unit, he shall be separately insured with respect to the public funds held by him for each such unit, but he shall not be separately insured with respect to all public funds of the same public unit by virtue of holding different offices in such unit or by holding such funds for different purposes.

(d) For purposes of this section, "lawfully investing" means pursuant to the statutory or regulatory authority of the custodian or public unit.

**§745.11 Accounts Evidenced by  
Negotiable Instruments.**

If any insured account obligation of a credit union is evidenced by a negotiable certificate account, negotiable draft, negotiable cashier's or officer's check, negotiable certified check, or negotiable traveler's check or letter of credit, the owner of such account obligation will be recognized for all purposes of a claim for insured accounts to the same extent as if his name and interest were disclosed on the records of the credit union provided the instrument was in fact negotiated to such owner prior to the date of the closing of the credit union. Affirmative proof of such negotiation must be offered in all cases to substantiate the claim.

**§745.12 Account Obligations for Payment of Items Forwarded for Collection by Depository Institution Acting as Agent.**

Where a closed credit union has become obligated for the payment of items forwarded for collection by a depository institution acting solely as agent, the owner of such items will be recognized for all purposes of a claim for insured accounts to the same extent as if his name and interest were disclosed on the records of the credit union when such claim for insured accounts, if otherwise payable, has been established by the execution and delivery of prescribed forms. Such depository institution forwarding such items for the owners thereof will be recognized as agent for such owners for the purpose of making an assignment of the rights of such owners against the closed insured credit union to the Board and for the purpose of receiving payment on behalf of such owners.

**§745.13 Notification to Members/ Shareholders.**

Each insured credit union shall provide notice to its members concerning NCUA insurance coverage of member accounts. This may be accomplished by placing either a copy of Part 745 of these rules, the Appendix, or one or more copies of the NCUA brochure "Your Insured Funds" in each branch office and main office of the credit union. Copies of these materials shall also be made available to members upon request. For purposes of this section, an automated teller machine or point of sale terminal is not a branch office.

## APPENDIX—EXAMPLES OF INSURANCE COVERAGE AFFORDED ACCOUNTS IN CREDIT UNIONS INSURED BY THE NATIONAL CREDIT UNION SHARE INSURANCE FUND

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 C.F.R. Part 745.

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 Board as an insured account.

### A. SINGLE OWNERSHIP ACCOUNTS

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 by the member in one or more individual accounts are added together and insured to the \$100,000 maximum. This is true whether the accounts are maintained in the name of the individual member owning the funds, in the name of the member's agent or nominee, or in the name of a guardian, conservator or custodian holding the funds for the member's benefit.

#### Example 1

Question: Members A and B, husband and wife, each maintain an individual account containing \$100,000. In addition, they hold a joint account containing \$100,000. What is the insurance coverage?

Answer: Each account is separately insured up to \$100,000 for a total coverage of \$300,000. 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) and §745.8(a)).

#### Example 2

Question: Members H and W, husband and wife, reside in a community property share. H maintains a \$100,000 account consisting of his separately-owned funds and invests \$100,000 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 \$100,000. \$100,000 is uninsured (§745.3(a)).

#### Example 3

Question: Member A has \$92,500 invested in an individual account, and his agent, Member B, invests \$25,000 of A's funds in a properly designated agency account. B also holds a \$100,000 individual account. What is the insurance coverage?

Answer: A's individual account and the agency account are added together and insured to the \$100,000 maximum, leaving \$17,500 uninsured. The investment of funds through an agent does not result in additional insurance coverage for the principal (§745.3(b)). B's individual account is insured separately from the agency account (§745.3(a)). However, if the account records of the credit union do not show the agency relationship under which the funds in the \$25,000 account are held, the \$25,000 in B's name could, at the option of the NCUSIF, be added to his individual account and insured to \$100,000 in the aggregate, leaving \$25,000 uninsured (§745.2(c)).

#### Example 4

Question: Member A holds a \$100,000 individual account. Member B holds two accounts in his own name, the first containing \$25,000 and the second containing \$92,500. In processing the claims for payment of insurance on these accounts, the NCUSIF discovers that the funds in the \$25,000 account actually belong to A and that B had in-



vested 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 \$25,000 account, those funds would be added to the \$100,000 individual account held by A (rather than to B's \$92,500 account) and insured to the \$100,000 maximum, leaving \$25,000 uninsured. (§745.3(b).) B's \$92,500 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 \$100,000, which is invested in another account by C's father, designated on the credit union's records as custodian under a Uniform Gifts to Minors Act. C's father, also a member, maintains an individual account of \$100,000. What is the insurance coverage?

Answer: C's individual account and the custodianship account held for him by his father are added together and would be insured to the \$100,000 maximum (§745.3(c)). The individual account held by C's father is separately insured to the \$100,000 maximum (§745.3(a)).

#### Example 6

Question: Member G, a court appointed guardian, invests in a properly designated account \$100,000 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 added together and insured to \$100,000 in the aggregate leaving W with \$25,000 in uninsured funds. The fact that a guardian has been judicially appointed does not alter the fact that the guardianship funds legally belong to W, the ward, and are insured as W's individually owned funds (§745.3(c)). G's individual account is separately insured (§745.3(a)).

#### Example 7

Question: X Credit Union acts as a servicer of FHA, VA, and conventional mortgage loans made to its members but sold to other parties. Each month X receives loan payments, for remittance to the other parties, from approximately 2,000 member mortgagors. The monies received each

month total \$1,000,000 and are maintained in a custodial loan account. What is the insurance coverage?

Answer: X Credit Union acts as custodian for the 2,000 individual mortgagors. The interest of each mortgagor is separately insured as his individual account (but added to any other individual accounts which the mortgagor holds in the Credit Union) (§745.3(d)).

### B. TESTAMENTARY ACCOUNTS

The term "testamentary account" refers to a revocable trust account, tentative or "Totten" trust account, "payable-on-death" account, or any similar account which evidences an intention that the funds shall pass on the death of the owner of the funds to a named beneficiary. If the beneficiary is a spouse, child, or grandchild of the owner, the funds in all such accounts are insured for the owner up to \$100,000 in the aggregate as to each such beneficiary, separately from any other individual accounts of the owner. If the beneficiary of such an account is other than a spouse, child, or grandchild of the owner, the funds in the account are, for insurance purposes, added to any other individual accounts of the owner and insured up to \$100,000 in the aggregate. In the case of a revocation is deemed to be the owner of the funds in the account. If a revocable trust account is held in the name of a fiduciary other than the owner of the funds, any other accounts held by the fiduciary are insured separately from such revocable trust account.

#### Example 1

Question: Member H invests \$200,000 in a revocable trust account with his son, S, and his daughter, D, as named beneficiaries. What is the insurance coverage?

Answer: Since S and D are children of H, the owner of the account, the funds are insured up to \$100,000 as to each beneficiary (§745.4(c)). Assuming that S and D have equal beneficial interests (\$100,000 each), H is fully insured for this account.

#### Example 2

Question: Member H invests \$100,000 in each of four "payable-on-death" accounts. Under the terms of each account contract, H has the right to withdraw any or all of the funds in the account at any time. Any funds remaining in the account at

the time of H's death are to be paid to a named beneficiary. The respective beneficiaries of the four accounts are H's wife, his mother, his brother, and his son. H also holds an individual account containing \$100,000. What is the insurance coverage?

Answer: The accounts payable on death to H's wife and son are each separately insured to the \$100,000 maximum (§745.4(b)). The accounts payable to H's mother and brother are added to H's individual account and insured to \$100,000 in the aggregate, leaving \$200,000 uninsured (§745.4(c)).

#### Example 3

Question: Members H and W jointly invest in a "payable-on-death" account for the benefit of their son, S, and daughter, D. The account is held by H and W with right of survivorship. What is the maximum insurance coverage available on the account?

Answer: Since S and D are the children of H and W, the account will be insured up to \$100,000 as to each beneficiary separately from any accounts of the owners, H and W (§745.4(b)). H would be entitled to \$100,000 insurance for S and \$100,000 for D. W would be entitled to the same coverage for a total of \$400,000 on the account. However, upon the death of either H or W, insurance coverage would be reduced to \$200,000.

#### C. ACCOUNTS HELD BY EXECUTORS OR ADMINISTRATORS

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 \$100,000 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 \$100,000. Prior to his death, D had opened an individual account of \$100,000. What is the insurance coverage?

Answer: The \$12,500 is added to D's individual account and insured to \$100,000, leaving \$12,500 uninsured. A's individual account is separately insured for \$100,000 (§745.5).

#### D. ACCOUNTS HELD BY A CORPORATION, PARTNERSHIP OR UNINCORPORATED ASSOCIATION

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 \$100,000 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 \$100,000 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 \$100,000 with the same credit union. What is the insurance coverage?

Answer: Each of the five accounts would be separately insured to \$100,000 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 \$25,000 (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 \$100,000, leaving \$25,000 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 \$100,000 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 \$100,000 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 \$100,000 maximum (§745.6).

### E. PUBLIC UNIT ACCOUNTS

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 an insured credit union are added together and insured to the \$100,000 maximum, regardless of the number of accounts involved and regardless of whether the funds are invested in accounts located in or outside the state. If there is more than one official custodian for the same public unit, the funds invested by each custodian are separately insured up to \$100,000. If the same person is custodian of funds for more than one public unit, he is separately insured to \$100,000 with respect to the funds of each unit held by him in properly designated accounts. The maximum coverage for an official custodian of funds of the United States would be \$100,000.

For insurance purposes, a "political subdivision" is entitled to the same insurance coverage

as any other public units. "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 \$125,000 account in the credit union containing school district funds. He also maintains his own \$100,000 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, \$100,000 of the school's funds and the entire \$100,000 in A's personal account will be insured (§§745.10(2) and 745.3).

#### Example 2

**Question:** A, as city treasurer, and B, as chief of the city police department, each have \$100,000 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 \$100,000 maximum (§745.10(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 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 \$100,000 maximum (§745.10(2)).

#### Example 4

**Question:** A city treasurer invests city funds in each of the following accounts: "General Operat-

ing Account," "School Transportation Fund," "Local Maintenance Fund," and "Payroll Fund." 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 \$100,000. 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 \$100,000 is not afforded to each account (§§745.1(c) and 745.10(2)).

#### Example 5

Question: A, the custodian of retirement funds of a military exchange, invests \$1,000,000 in an insured credit union. The military exchange, a nonappropriated 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 \$100,000 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, \$900,000 is uninsured (§745.10(1)).

#### Example 6

Question: A is the custodian of the County's employee retirement funds. He deposits \$1,000,000 in retirement funds with the 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 \$100,000 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 \$900,000 is uninsured (§745.10(2)).

#### Example 7

Question: A county treasurer deposits in an insured credit union \$100,000 in each of the following accounts:

- "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 \$100,000 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 \$100,000, 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(c) and 745.10(2)).

#### Example 8

Question: A, the custodian of Indian tribal funds, lawfully invests \$1,000,000 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 \$100,000. A, as official custodian, also invests \$1,000,000 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(5)). Since the credit union's records indicate no tribe has more than \$100,000 in the account, the \$1,000,000 would be fully insured as 15 separate tribal accounts. If any one tribe had more than a \$100,000 interest in the funds, it would be insured only to \$100,000 and any excess would be uninsured.

However, the \$1,000,000 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 \$100,000 leaving \$900,000 uninsured.

## F. JOINT ACCOUNTS

Accounts held under any form of joint ownership valid under state law (whether as joint tenants with right of survivorship, tenants by the entirety, tenants in common, or by husband and wife as community property) are insured up to \$100,000. This insurance is separate from that afforded individual accounts held by any of the co-owners.

An account is insured as a joint account only if each of the co-owners has personally executed an account signature card and possesses withdrawal rights. An account owned jointly which does not qualify as a joint account for insurance purposes is insured as if owned by the named persons as individuals. In that case, the actual ownership interest in the account of each person is added to any other accounts individually owned by such person and insured up to \$100,000 in the aggregate.

Any individual, including a minor, may be a co-owner of a joint account provided that, under State law, he may execute a signature card and withdraw funds from the account on the same basis as the other co-owners.

All funds invested in joint accounts owned by the same combination of individuals are first added together and insured to the \$100,000 maximum. Where a member has an interest in more than one joint account and different joint owners are involved, his interests in all of such joint accounts are then added together and insured to \$100,000 in the aggregate.

For insurance purposes, the co-owners of any joint account are deemed to have equal interests in the account, except in the case of a tenancy in common. With a tenancy in common, equal interests are presumed unless otherwise stated on the records of the credit union.

### Example 1

Question: Members A and B maintain an account as joint tenants with right of survivorship and, in addition, each holds an individual account. Is each account separately insured?

Answer: If both A and B have executed the signature card and possess withdrawal rights with respect to the joint funds, each account is separately insured to the \$100,000 maximum (§745.8(a) and (b)).

### Example 2

Question: Members H and W, husband and wife, reside in a community property state. Each holds an individual account and, in addition, they hold a qualifying joint account. The funds in all three accounts consist of community property. Is each account separately insured?

Answer: Yes. An account in the individual name of a spouse will be insured up to \$100,000 whether the funds consist of community property or separate property of the spouse. A joint account containing community property is also insured up to \$100,000. Thus, community property can be used for individual accounts in the name of each spouse and for a joint account in the name of both spouses, each of which accounts is separately insured up to \$100,000 (§§745.3(a) and 745.8(a)).

### Example 3

Question: Two accounts of \$100,000 each are held by a member husband and wife under the following names:

John Doe and Mary Doe, husband and wife,  
as joint tenants with right of survivorship.  
Mrs. John Doe and John Q. Doe (community  
property).

Are the accounts separately insured?

Answer: No. Both accounts are considered joint accounts owned by the same combination of individuals, regardless of the form of joint ownership. Reversal of names or use of different styles does not change the result, as long as the account owners are in fact the same in both cases. For insurance purposes, the accounts are added together and insured to the maximum of \$100,000, leaving \$100,000 uninsured (§745.8(d)).

### Example 4

Question: the following accounts are held by members A, B, and C, each of whom has personally executed signature cards for the accounts in which he has an interest. Each co-owner of a joint account possesses the necessary withdrawals rights.

1. A, as an individual — \$100,000
2. B, as an individual — \$100,000
3. C, as an individual — \$100,000
4. A and B, as joint tenants w/r/o survivorship — \$90,000
5. A and C, as joint tenants w/r/o survivorship — \$90,000

6. B and C, as joint tenants w/r/o survivorship - \$90,000
7. A, B and C, as joint tenants w/r/o survivorship - \$90,000

What is the insurance coverage?

Answer: Accounts numbers 1, 2 and 3 are each separately insured for \$100,000 as individual accounts held by A, B and C, respectively (§745.3(a)). With regard to accounts numbered 4, 5, 6 and 7, the respectively interests of A, B and C in such accounts are added together for insurance purposes (§745.8(e)). The interest of the co-owners of each joint account are deemed equal for insurance purposes (§745.2(c)(4)). Thus, A has an interest of \$45,000 in account No. 4, \$45,000 in account No. 5 and \$30,000 in account No. 7, for a total joint account interest of \$120,000, of which \$100,000 is insured. The interest of B and C are similarly insured.

#### Example 5

Question: A, B and C hold accounts as set forth in Example 4. Members A and B are husband and wife; C, their minor child, has failed to execute the signature card for account No. 7. In account No. 5, C cannot make a withdrawal without A's written consent. In account No. 6 the signatures of both B and C are required for withdrawal. A has provided all of the funds for accounts numbered 5 and 7. What is the insurance coverage?

Answer: If any of the co-owners of a joint account have failed to meet any of the joint account requirements, the account is not insured as a joint account. Instead, the account is insured as if it consisted of commingled individual accounts of each of the co-owners in accordance with his actual ownership funds, as determined under applicable state law (§745.8(c)). Account No. 5 is not insured as a joint account because C does not possess the right to withdraw the funds in accordance with his purported interest in the account. However, account No. 6 does qualify as a joint account for insurance purposes since each co-owner possesses the right to withdraw funds on the same basis. Account No. 7 is not insured as a joint account since C did not personally execute the signature card. Assuming that, under applicable state law, A has the entire actual ownership interest in accounts 5 and 7, all of the funds in these accounts are treated for insurance purposes as individually owned by A (§745.8(c)). Thus, the \$180,000 in these accounts is added to the \$100,000 in account No. 1, A's individual account, and insured up to

\$100,000 in the aggregate, leaving \$180,000 uninsured. Accounts 4 and 6, the remaining joint accounts, are each insured to the \$100,000 limit, since they are owned by different combinations of individuals and no co-owner has an aggregate interest in the two accounts in excess of \$100,000 (§745.8(e)).

#### Example 6

Question: The following accounts are owned by members, A, B and C, each of whom has personally executed signature cards for the accounts in which he has an interest. Each co-owner possesses withdrawal rights.

1. A, as an individual - \$100,000
2. B, as an individual - \$100,000
3. A, B and C, as joint tenants w/r/o survivorship - \$100,000
4. A, B and C, as joint tenants w/r/o survivorship - \$200,000
5. A, and B, as joint tenants w/r/o survivorship - \$100,000

What is the insurance coverage?

Answer: Accounts numbered 1 and 2 are each separately insured for \$100,000 as individual accounts held by A, B, respectively (§745.3(a)). With respect to the joint accounts, accounts numbered 3 and 4 are owned by the same combination of individuals and are added together and insured to a maximum of \$100,000, leaving \$200,000 uninsured (§745.8(d)). A, B and C each have a \$33,334 insured interest in accounts 3 and 4. A and B also maintain a joint account, account number 5. Because C has no interest in this account, it is owned by a combination of individuals different from accounts 3 and 4. The interests of A and B in account number 5 are deemed to be equal (§745.2(c)(4)). A's \$50,000 interest in account 5 is added to his insured interest in accounts 3 and 4, giving him a total of \$83,334 insurance coverage for his interests in the various joint accounts, in addition to the insurance in the amount of \$100,000 provided for his individual account. B's interests in accounts 3, 4 and 5 are identical to A's and her interests are insured in a like manner.

#### G. TRUST ACCOUNTS AND RETIREMENT ACCOUNTS

A trust estate is the interest of a beneficiary in an irrevocable express trust, whether created by trust instrument or statute, that 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 \$100,000 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 \$100,000 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 C.F.R. 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 the basic insured amount of \$100,000.

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.

An account established pursuant to a revocable trust arrangement is insured as a form of individual account and is treated under Section B, supra, dealing with Testamentary Accounts.

IRA and Keogh accounts are separately insured, each up to \$100,000. Although credit unions may serve as trustees or custodians for self-directed IRA and Keogh accounts, once the funds are taken out of the credit union, they are no longer insured.

#### Example 1

**Question:** Member S invests \$45,000 in trust for B, the beneficiary. S also has an individual account containing \$90,000 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 (§§754.3(a) and 745.9-1(a)).

#### 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

**Question:** Member S invests \$500,000 in trust for ABC Employees Retirement Fund. Some of the beneficiaries are members and some are not. What is the insurance coverage?

**Answer:** The account is insured as to the determinable interests of each member beneficiary to a maximum of \$100,000 per member. Member inter-