

News

NCUSIF ups coverage for IRAs, Keoghs

March 17, 2006—As of April 1, credit union-member shares in individual retirement accounts and Keoghs will be insured to \$250,000 by the National Credit Union Share Insurance Fund, and NCUA's examination and insurance staff said they do expect credit unions to see a marked influx of funds into these accounts in the months to come.

Frank Kressman, an NCUA staff attorney, said during last week's board meeting—and in a briefing earlier by NCUA and FDIC to trades and consumer groups—that the increase is being implemented under an interim final rule that carries out the share and deposit insurance reform measures signed into law in February. The interim final rule, approved Thursday by the NCUA Board, takes effect this April 1 but is being issued for a 60-day comment period.

In a nutshell, here's what the interim rule does:

- sets the \$250,000 coverage limit for IRAs and Keoghs;
- defines the "standard maximum share insurance" limit as \$100,000;
- provides pass-through coverage to participants in employee benefit plans such as deferred compensation plans;
- clarifies the treatment of 529 plans and foreign currency deposits; and
- provides for potential inflation-indexing of the standard maximum and retirement-account coverage limits every five years.

The rule limits the acceptance of deposits for employee benefit plans to only credit unions deemed to be adequately or well-capitalized. The pass-through coverage for plan participants, for now, will apply only to those who are members of the credit union, but NCUA will also be looking at whether current law leaves room to include non-members as well. That will be an issue for comment.