

however, the surviving spouse would become the sole owner of the joint account and the joint revocable trust account. Under NCUA share insurance rules, the joint account would be transformed into an individual account subject to aggregation with the surviving spouse's other individual account and insured up to a maximum of \$100,000. The single ownership (individual) account in the name of the deceased spouse would continue to be insured separately from the other accounts. The maximum coverage of the joint revocable trust account would be reduced from \$400,000 to \$200,000, because coverage for this type of account is calculated as \$100,000 for each combination of settlors and qualifying beneficiaries. In sum, the maximum coverage of the four accounts would be reduced immediately upon the death of the husband or wife from \$800,000 to \$400,000.

NCUA does not believe this result is fair or desirable. NCUA recognizes there are a number of practical difficulties a member's survivors might encounter in attempting to restructure the member's share accounts immediately upon the member's death. NCUA further recognizes that these difficulties are worsened in that they would occur at a time of grief when dealing with financial matters may not be a priority for the member's survivors. Accordingly, NCUA believes it would be beneficial to grant a six-month grace period after a member's death for his or her survivors to restructure the accounts. During this grace period, the insurance coverage of the deceased member's accounts would not change from that available immediately before the member's death, unless the accounts are restructured during the grace period by those authorized to do so. Because the intent of this grace period is to avoid reduced insurance coverage, the grace period will not be applied if doing so would result in decreased share insurance coverage.

Insurance Coverage After the Merger of Insured Credit Unions

NCUA encourages members to structure their accounts at insured credit unions in a manner that will provide maximum share insurance coverage and has developed a share insurance program to facilitate that goal. As part of that program, a member's share accounts at an insured credit union are insured separately from that member's share accounts at any other separately chartered, insured credit union. Because of this, the merger of insured credit unions could jeopardize a member's insurance coverage even

when a member has structured his or her accounts at different insured credit unions to be fully insured. Specifically, when a member has accounts at more than one insured credit union, a merger of those credit unions could reduce the amount of share insurance coverage the member had before the merger. For example, member X has a \$75,000 individual account at insured credit union A and a \$50,000 individual account at insured credit union B. Both accounts are fully insured because a member is entitled to \$100,000 of coverage in the aggregate for all individual accounts in each insured credit union. 12 CFR 745.1; 12 CFR 745.3. If insured credit unions A and B merge, then X would have individual accounts in the surviving insured credit union totaling \$125,000. X would be insured for \$100,000 and uninsured for \$25,000.

NCUA does not believe members should immediately have reduced share insurance coverage as a result of credit union mergers. Accordingly, NCUA proposes to provide members with a six-month grace period following the merger of insured credit unions, during which time members will receive separate insurance of their accounts as though no merger had occurred. NCUA believes six months is sufficient time for members to restructure their accounts to maximize share insurance coverage.

A share certificate that matures after the six-month grace period will receive the separate insurance treatment until the first maturity date following the grace period. A share certificate that matures during the six-month grace period and is renewed for the same term and dollar amount will receive the separate insurance treatment until the first maturity date after the grace period under the terms of the renewed certificate. A share certificate that matures during the grace period that is not renewed, or is renewed on any basis other than for the same term and dollar amount as the original certificate, is separately insured only for the six-month grace period.

Coverdell Education Savings Accounts

In May 2000, Education IRAs were specified as insurable under NCUA's share insurance rules as irrevocable trust accounts. 65 FR 34921 (June 1, 2000). Since that time, Education IRAs have been replaced with Coverdell Education Savings Accounts. NCUA proposes to revise the share insurance rules to reflect that change.

Regulatory Procedures

Regulatory Flexibility Act

The Regulatory Flexibility Act requires NCUA to prepare an analysis to describe any significant economic impact a proposed rule may have on a substantial number of small credit unions (those under one million dollars in assets). The proposed rule only clarifies the share insurance coverage available to credit union members, without imposing any regulatory burden. The proposed rule would not have a significant economic impact on a substantial number of small credit unions, and, therefore, a regulatory flexibility analysis is not required.

Paperwork Reduction Act

NCUA has determined that the proposed rule would not increase paperwork requirements under the Paperwork Reduction Act of 1995 and regulations of the Office of Management and Budget.

Executive Order 13132

Executive Order 13132 encourages independent regulatory agencies to consider the impact of their actions on state and local interests. In adherence to fundamental federalism principles, NCUA, an independent regulatory agency as defined in 44 U.S.C. 3502(5), voluntarily complies with the executive order. The proposed rule would not have substantial direct effects on the states, on the connection between the national government and the states, or on the distribution of power and responsibilities among the various levels of government. NCUA has determined that this proposed rule does not constitute a policy that has federalism implications for purposes of the executive order.

The Treasury and General Government Appropriations Act, 1999—Assessment of Federal Regulations and Policies on Families

The NCUA has determined that this proposed rule would not affect family well-being within the meaning of section 654 of the Treasury and General Government Appropriations Act, 1999, Pub. L. 105-277, 112 Stat. 2681 (1998).

Agency Regulatory Goal

NCUA's goal is to promulgate clear and understandable regulations that impose minimal regulatory burden. We request your comments on whether the proposed rule is understandable and minimally intrusive.