

## **National Credit Union Share Insurance Fund (NCUSIF) - FAQ**

The shares (savings) in credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF), an arm of the National Credit Union Administration (NCUA). Established by Congress in 1970 to insure member share (savings) accounts at federally insured credit unions, the NCUSIF is managed by NCUA under the direction of the three-person NCUA Board. Share (savings) insurance is similar to the deposit insurance protection offered by other financial institutions.

### **Here are some important facts to remember about share (savings) insurance:**

- Not one penny of insured savings has ever been lost by a member of a federally insured credit union.
- As a member of an insured credit union, individual members do not pay directly for your share insurance protection. Each credit union pays into the NCUSIF a deposit, and an insurance assessment, based on the total amount of insured shares and deposits in the credit union. Insured credit unions are required to deposit and maintain one percent of their insured shares and deposits in the NCUSIF. The NCUSIF is backed by the full faith and credit of the United States government.
- Most properly established share accounts in federally insured credit unions are insured up to the Standard Maximum Share Insurance Amount (SMSIA), which is \$100,000 as of April 2006, but may be increased in the future. Recent legislation has increased the insurance coverage on certain retirement accounts, such as IRAs and Keoghs, up to \$250,000. Generally, if a credit union member has more than one account in the same credit union, those accounts are added together and insured in the aggregate.

### **Frequently Asked Questions About the National Credit Union Share Insurance Fund**

#### **1. Which credit unions are insured by NCUSIF?**

NCUSIF insures member shares in all federal credit unions (FCU) and those federally insured state-chartered credit unions (FISCU) that apply for and meet the insurance standards. All Maine credit unions (federal and state-chartered) are insured by NCUSIF. Insured credit unions are required to indicate their insured status in their advertising and to display the official NCUSIF insurance sign at their offices.

#### **2. How does NCUSIF share insurance protect credit union members against loss?**

Each credit union approved for NCUSIF share insurance must meet high standards of safety and soundness in its operation. Adherence to these standards is determined regularly through credit union examinations by federal and state examiners. If an insured credit union gets into financial difficulties and must be closed, the NCUSIF acts immediately to protect each member's share account.

### **3. Does NCUSIF share insurance protection apply only if a credit union is liquidated?**

No. Liquidation is the only situation in which a member is directly provided share insurance protection by the payment of a check for his or her insured savings. However, indirect protection is provided when the NCUA Board, through the NCUSIF, authorizes financial assistance to a credit union to enable it to overcome a temporary financial setback. In a case where a credit union is unable to overcome its difficulty, financial assistance may be authorized to accomplish a merger that protects the continuing credit union from loss and provides continued credit union service to the members of the merging credit union.

### **4. How does NCUSIF pay members their shares when an insured credit union is liquidated?**

Checks for each member's shares (less any amounts due on outstanding loans) up to the insurance limit are mailed to the member's last known address as shown in the records of the credit union. These checks are usually mailed several days after the credit union is placed into liquidation. In situations where on-site payment is more convenient, the NCUA liquidation team will give checks directly to members.

### **5. What happens to the member's share account when an insured credit union is merged into another insured credit union?**

Each member's share account is transferred to the continuing credit union. Accrued dividend credit is also transferred. On the effective date of the merger, each merging credit union member has full membership rights to all the financial services provided by the continuing credit union.

### **6. Does NCUSIF share insurance protect the interest of creditors?**

No. NCUSIF share insurance protects only credit union members.

### **7. What is the Standard Maximum Share Insurance Amount or SMSIA for NCUSIF share insurance coverage?**

The SMSIA for a credit union member is defined in NCUA's Rules and Regulations, as \$100,000 and may be increased from time to time. Share accounts maintained in different rights or capacities, or forms of ownership, may each be separately insured up to the \$100,000 SMSIA, or in the case of certain retirement accounts, up to \$250,000. Thus, a member may hold or have an interest in more than one separately insured share account in the same insured credit union.

### **8. What types of accounts are insured?**

All types of member share accounts and deposits received by the credit union in its usual course of business, including regular shares, share certificates, and share draft accounts are insured. Investment products offered by a credit union to its members, such as mutual funds, annuities, and other non deposit investments are not insured by the NCUSIF.

### **9. Is NCUSIF share insurance coverage increased by placing funds in two or more of the same kind of share accounts in the same credit union?**

No. NCUSIF share insurance is not increased merely by dividing funds owned by the same person or persons into one or more of the different kinds of share accounts available. For example, a regular share account, a share draft account and a share certificate account owned by the same member are added together and insured up to

the \$100,000 SMSIA. Insurance can be increased by opening a different type of account - one that is held in a different right and capacity. For example, insurance on a single ownership account is separate from insurance on a joint account.

**10. If a member has accounts in several different insured credit unions, will the accounts be added together for the purpose of insurance coverage?**

No. Share insurance is applied to share accounts in each insured credit union. A member who has share accounts in two or more different insured credit unions would have coverage up to the full insurable amount in each credit union. In the case of a credit union having one or more branches, the main office and all branch offices are considered as one credit union.

**11. If a member has more than one individual account in the same insured credit union, is each account insured to the SMSIA?**

No. Individual share accounts held by the same member are added together and are insured up to the \$100,000 SMSIA. An individual share account is an account solely owned by one individual without the right of withdrawal by another individual. IRA and Keogh accounts are insured separately.

**12. What types of joint accounts may be insured?**

NCUSIF share insurance covers joint accounts owned in any manner conforming with applicable state law such as joint tenants with a right of survivorship, tenants by the entirety, tenants in common, or an account owned by a husband and wife as community property in states recognizing this particular form of joint ownership.

**13. If two or more persons, such as husband and wife, have a joint account in the same credit union as well as their own individual accounts, is each account separately insured?**

Yes. A person's interests in joint accounts are insured separately from individual accounts up to the \$100,000 SMSIA, 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. (If state law limits a minor's right of withdrawal, the account will still be insured as a joint account. The signature of each co-owner is not required on a share certificate.) However, the insurance protection for a co-owner on joint accounts is not increased by rearranging the names of the owners, changing the style of names, or by establishing more than one joint account. The interests that a particular co-owner has in all joint accounts held in the same credit union will be added together and insured up to the \$100,000 SMSIA.