

Share Insurance: How Credit Union Accounts are Insured



Credit Union National Association

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Introduction

Welcome to the *Share Insurance: How Credit Union Accounts are Insured Training on Demand™* course.

This course is designed to provide a basic understanding of federal share insurance coverage provided by the National Credit Union Share Insurance Fund (NCUSIF), which is administered by the National Credit Union Administration (NCUA).

Objectives

In this Training on Demand course, you will learn the basics of share insurance for your credit union, which includes the recent changes in coverage for credit union accounts.

The objectives for this course are to:

- Define a federally insured credit union;
- Define the Federal Share insurance coverage limits (recently raised to cover much more than \$250,000 in a single credit union);
- Learn how accounts can be maintained to maximize insurance coverage;
- Learn how to define and distinguish between different account ownership types; and
- Calculate the coverage on accounts held at the credit union.

National Credit Union Administration (NCUA)

Let's briefly review some basics. The National Credit Union Administration (NCUA):

- Is an independent federal government agency that charters and supervises federal credit unions;
- Was formed in 1970; and
- Is also responsible for operating the National Credit Union Share Insurance Fund (NCUSIF).



National Credit Union Share Insurance Fund (NCUSIF)

The National Credit Union Share Insurance Fund was also established by Congress in 1970. The Fund was created to insure credit union deposits, similar to the Federal Deposit Insurance Corporation (FDIC) that insures banks. Like the FDIC, the NCUSIF is backed by the full faith and credit of the United States government. The insurance provided by both NCUSIF and the FDIC is substantially similar; in fact, with

some minor technical exceptions, the coverage is very similar. Both the NCUA and FDIC try to pay most accountholders within a reasonable time.

In essence, if a credit union fails, the fund protects members' accounts and covers the balance of each member's account, up to the insurance limit. A few more key points about the NCUSIF: It was formed without tax dollars and has never received federal tax dollars. In the independent credit union spirit, the NCUSIF is funded entirely by credit unions.

No member has ever lost money that is insured by NCUSIF. This is very important to consider because in the turbulent 1980s there were many economic changes, including deregulation, expanded member services, unemployment, and high interest rates. By law, federally insured credit unions must maintain one percent of their insured deposits in NCUSIF.

What is a Federally Insured Credit Union?

So how can you identify and define a federally insured credit union?

The NCUA definition of a federal credit union is *"a nonprofit, cooperative financial institution owned and run by its members. Organized to serve, democratically controlled credit unions provide their members with a safe place to save and borrow at reasonable rates. Members pool their funds to make loans to one another. The volunteer board that runs each credit union is elected by the members. **Not for profit, not for charity, but for service** is a credit union motto."*



All **federally chartered** credit unions must have NCUSIF insurance, and the majority of state-chartered credit unions are also insured by NCUSIF protection. No credit union may terminate the federal insurance unless they first notify their members.

Credit unions must prominently display the official NCUA insurance sign. Look for this logo at the branch. It should be located at any window where deposits are taken. You will also see it on advertisements for any deposit accounts such as shares, share drafts, IRAs, etc.