

greater flexibility in choosing appropriate participation partners.

B. Summary of Comments

NCUA received twelve comment letters regarding the proposed rule: three from FCUs, two from state credit unions, one from a corporate credit union, five from credit union trade organizations, and one from a banking trade organization. Nine commenters completely supported the proposal as written. One commenter supported the proposed amendment to the definition of "financial organization," but stated the current definition of "credit union organization" is sufficient to accomplish NCUA's goals. One commenter stated that there should be even fewer restrictions regarding the entities that may engage in loan participations than as proposed. The banking trade organization stated that NCUA's proposal exceeds congressional intent regarding who may engage in loan participations.

NCUA believes the proposed amendments improve the loan participation rule and strike an appropriate balance between enhancing flexibility for FCUs and adhering to statutory limitations. Accordingly, NCUA adopts the proposed amendments into the final rule without 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, defined as those under ten million dollars in assets. This rule expands the pool of eligible organizations with whom an FCU may engage in loan participations, without imposing any additional regulatory burden. The final amendments will 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 final 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 final 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 final 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 final 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).

Small Business Regulatory Enforcement Fairness Act

The Small Business Regulatory Enforcement Fairness Act of 1996 (Pub. L. 104-121) provides generally for congressional review of agency rules. A reporting requirement is triggered in instances where NCUA issues a final rule as defined by Section 551 of the Administrative Procedure Act. 5 U.S.C. 551. The Office of Management and Budget has determined that this rule is not a major rule for purposes of the Small Business Regulatory Enforcement Fairness Act of 1996.

List of Subjects in 12 CFR Part 701

Credit unions, Mortgages, Reporting and recordkeeping requirements.

By the National Credit Union Administration Board on December 18, 2003.
Becky Baker,
Secretary of the Board.

■ Accordingly, NCUA amends 12 CFR part 701 as follows:

PART 701—ORGANIZATION AND OPERATIONS OF FEDERAL CREDIT UNIONS

■ 1. The authority citation for part 701 continues to read as follows:

Authority: 12 U.S.C. 1752(5), 1755, 1756, 1757, 1759, 1761a, 1761b, 1766, 1767, 1782, 1784, 1787, and 1789 and Pub. L. 101-73. Section 701.6 is also authorized by 31 U.S.C. 3717. Section 701.31 is also authorized by 15 U.S.C. 1601 *et seq.*, 42 U.S.C. 1861 and 42 U.S.C. 3601-3610.

■ 2. Section 701.22 is amended by revising paragraphs (a)(4) and (a)(5) to read as follows:

§ 701.22 Loan participation.

(a) * * *

(4) *Credit union organization* means any credit union service organization meeting the requirements of part 712 of this chapter. This term does not include trade associations or membership organizations principally composed of credit unions.

(5) *Financial organization* means any federally chartered or federally insured financial institution; and any state or federal government agency and their subdivisions.

* * * * *

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NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Part 745

Share Insurance and Appendix

AGENCY: National Credit Union Administration (NCUA).

ACTION: Final rule.

SUMMARY: NCUA is amending its share insurance rules to simplify and clarify them and provide parity with the deposit insurance rules of the Federal Deposit Insurance Corporation (FDIC). Specifically, the amendments: Provide continuation of coverage following the death of a member and for separate coverage after the merger of insured credit unions for limited periods of time; clarify that the interests of nonqualifying beneficiaries of a revocable trust account are treated as the individually owned funds of the owner even where the owner has not actually opened an individual account; and clarify that there is coverage for Coverdell Education Savings Accounts, formerly Education IRAs.

DATES: This final rule is effective January 29, 2004.

FOR FURTHER INFORMATION CONTACT: Frank Kressman, Staff Attorney, Office of General Counsel, at the above address or telephone: (703) 518-6540.

SUPPLEMENTARY INFORMATION:

A. Background

NCUA staff identified part 745 as a regulation in need of updating, clarification and simplification. To that end, NCUA issued a proposed rule on June 26, 2003 to improve part 745 and maintain parity between the separate federal insurance programs administered by NCUA and FDIC. 68 FR 39868 (July 3, 2003).

NCUA proposed to provide a six-month grace period for members to

restructure their insured accounts to maximize insurance coverage in each of two separate occurrences. Specifically, NCUA proposed the grace periods would take effect upon the death of a member and the merger of insured credit unions.

NCUA explained that the death of a member results in an immediate change in the ownership of the member's share accounts. This change in ownership could significantly change the amount of share insurance coverage available for those accounts, most likely reducing coverage.¹

NCUA recognizes the practical difficulties a member's survivors might encounter in attempting to restructure the member's share accounts immediately after the member's death, and that these difficulties are worsened as they would occur at a time of grief when dealing with financial matters may be particularly difficult for the member's survivors. Accordingly, NCUA proposed 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 the proposal is to avoid reduced insurance coverage, the grace period would not be applied if doing so would result in decreased share insurance coverage.

NCUA also proposed a six-month grace period for members to restructure their insured accounts after the merger of insured credit unions. NCUA

explained that 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. 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.²

NCUA does not believe members should immediately have reduced share insurance coverage as a result of credit union mergers. Accordingly, NCUA proposed to provide members with a six-month grace period following the merger of insured credit unions, during which members will receive separate insurance of their accounts as though no merger had occurred. NCUA also proposed a methodology for extending insurance coverage for share certificates that mature at varying times in relation to the merger.³

NCUA believes insured credit unions should help their members benefit from these grace periods wherever possible and reasonable. We believe this can be done in a number of ways. For example, insured credit unions should make reasonable efforts to explain to their members how the grace periods operate. Merging credit unions are encouraged to make their members aware of the pending merger as soon as possible so members can evaluate their existing accounts and begin to plan how to restructure their accounts to maximize their coverage after the merger. Once a merger is completed, the surviving credit union should make reasonable efforts to notify members with uninsured funds as a result of the merger that the grace period has begun to run and assist members to restructure their accounts to maximize coverage. NCUA encourages insured credit unions to do all of these things as a service to

their members and to minimize the potential for confusion regarding the coverage of their 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 proposed to revise the share insurance rules to reflect that change.

NCUA also proposed to revise its revocable trust account insurance rule to address the frequent inquiries NCUA receives regarding how: (1) Revocable trusts are created; (2) an owner demonstrates testamentary intent; and (3) the interests of nonqualifying beneficiaries are treated. In brief, NCUA explained that simple revocable trusts can be created at the credit union without the need for a formal written trust. NCUA proposed that the member's intent to create a revocable trust be noted in the title to the account. NCUA explained that common terms used in the account title to create a revocable trust and indicate the owner's intent include "payable on death," "in trust for," and "as trustee for," or acronyms for these phrases, respectively, POD, ITF and ATF. NCUA explained that the account title "John Smith POD" is sufficient to create a revocable trust account. NCUA stated in the proposal it believed that naming the beneficiaries in the account *title* is the most effective way of establishing insurance coverage, but made it clear that, to be insurable, the beneficiaries must only be specifically named somewhere in the credit union's account *records*, not necessarily in the account *title*.

Finally, NCUA explained that it treats the interests of nonqualifying beneficiaries, those beneficiaries that are not the owner's spouse, child, grandchild, parent, brother or sister, as the individually owned funds of the owner of the account. In this context, these funds would be aggregated with all other individual accounts of the owner and insured up to \$100,000. NCUA acknowledged that the current language of the rule could be read as providing that these nonqualifying beneficiary interests would only be insured as the individually owned funds of the owner if the owner has actually opened an individual account in the insured credit union where the revocable trust account is held. NCUA proposed to revise the rule to clarify that it will treat nonqualifying beneficiary interests as the individually owned funds of the owner even if the owner has not actually opened an

¹ For example, a husband and wife may hold a joint account, a joint revocable trust account for the benefit of their two children, and two individual accounts in their own names. Assuming these accounts satisfy all applicable requirements, these four accounts would be insured up to a maximum of \$800,000. The \$800,000 is broken down as follows: \$200,000 for the joint account; \$400,000 for the joint revocable trust account; and \$100,000 for each of the two individual accounts. Upon the death of either the husband or wife, 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.

² 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 the credit unions merge, then X would have individual accounts in the surviving insured credit union totaling \$125,000. X's individual accounts would be uninsured for \$25,000.

³ 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. One that matures during the six-month grace period and is renewed for the same term and amount will receive the separate insurance treatment until the first maturity date after the grace period under the terms of the renewed certificate. One that matures during the grace period that is not renewed, or is renewed on any basis other than for the same term and amount as the original certificate, is separately insured only for the six-month grace period.

individual account at the credit union. This is consistent with FDIC's treatment of these funds.

B. Summary of Comments

NCUA received sixteen comment letters regarding the proposed rule: Six from federal credit unions (FCUs), two from state credit unions, and eight from credit union trade organizations.

The commenters expressed general support for all of the proposed amendments, except for the titling requirement in the revocable trust account provision. Fifteen commenters strongly opposed the titling requirement and expressed the same or similar concerns. The concerns they cited included the great expense of updating their forms and systems. The commenters noted a host of problems the titling requirement would create for their computer-based data processing systems, which they stated presently cannot accommodate the additional titling information required by the proposal. Many of these commenters stated that the information NCUA proposes to be included in the account title could just as easily be captured elsewhere in the account documentation without the need to update forms or data processing systems. Six commenters were concerned that the titling requirement would apply to existing accounts and that it would be expensive and labor intensive to identify those accounts to alter their titles to comply with the proposal.

It appears from the comment letters that a significant number of commenters misread the titling requirement of the proposal and are under the impression it requires that beneficiaries be named in the title. As noted above, that is not the case. NCUA proposed only that a member's intent to create a revocable trust must be demonstrated in the title of the account using commonly accepted terms such as "in trust for," "as trustee for," "payable on death to," or any acronym for these terms. As noted, NCUA stated that, while it prefers the beneficiaries also be listed in the title, it only requires that the beneficiaries be named somewhere in the share account records of the insured credit union.

NCUA's intent in proposing the titling requirement was to make it simpler for credit union members to create revocable trust accounts and to obtain the expanded insurance coverage they seek. NCUA did not anticipate the proposed requirement would create any significant, additional burden for credit unions and, moreover, did not intend to impose the requirement retroactively to existing revocable trust accounts.

Nevertheless, as a result of the information provided by the commenters and other interested parties, NCUA has decided not to adopt the proposed titling requirement at this time because of the difficulties commenters identified that some FCUs would have in adapting their data processing systems and account forms. NCUA continues to believe that titling of revocable trust accounts so as to indicate the nature of the account would benefit FCUs in a number of ways, including enabling FCUs to help members better appreciate the nature of their accounts and share insurance coverage. NCUA encourages FCUs to modernize and maximize their data processing systems' capabilities as much as is practicable, given their circumstances, in this regard.

As noted, there was general support for all the other proposed amendments which include: Providing a six-month grace period for members to restructure their insured accounts upon the death of a member and the merger of insured credit unions; clarifying that the interests of nonqualifying beneficiaries of a revocable trust account are treated as the individually owned funds of the owner even where the owner has not actually opened an individual account; and clarifying that there is coverage for Coverdell Education Savings Accounts, formerly Education IRAs. There was little specific comment on these proposals except that two commenters suggested extending the six-month grace periods to one year. NCUA believes six months is a sufficient amount of time to restructure insured accounts and consistent with the FDIC's deposit insurance rules. Accordingly, these proposed amendments are adopted in the final rule without change.

C. Technical Correction

In 2000, NCUA amended Part 724 of its regulations to permit an FCU in a territory, including trust territories, or a possession of the United States, or the Commonwealth of Puerto Rico, to act as a trustee or custodian for certain pension or profit sharing plans. 65 FR 10933 (March 1, 2000). At the same time, NCUA amended § 745.9-2 of the share insurance rules to clarify that these accounts would be entitled to separate share insurance coverage. *Id.*

In a subsequent separate rulemaking, NCUA further amended § 745.9-2 to address coverage of accounts unrelated to the prior amendments to § 745.9-2 providing coverage of trust or custodial accounts. 65 FR 34921 (June 1, 2000). Inadvertently, the subsequent amendments to § 745.9-2 deleted the provision providing coverage for trust or

custodial accounts. Accordingly, NCUA is reinstating those provisions as a technical amendment.

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, defined as those under ten million dollars in assets. This rule only clarifies the share insurance coverage available to credit union members, without imposing any regulatory burden. The final amendments 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 final 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 final 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 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 final 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).

Small Business Regulatory Enforcement Fairness Act

The Small Business Regulatory Enforcement Fairness Act of 1996 (Pub. L. 104-121) provides generally for congressional review of agency rules. A reporting requirement is triggered in

instances where NCUA issues a final rule as defined by Section 551 of the Administrative Procedure Act. 5 U.S.C. 551. The Office of Management and Budget has determined that this rule is not a major rule for purposes of the Small Business Regulatory Enforcement Fairness Act of 1996.

List of Subjects in 12 CFR Part 745

Credit unions, Share insurance.

By the National Credit Union Administration Board on December 18, 2003.

Becky Baker,

Secretary of the Board.

■ Accordingly, NCUA amends 12 CFR part 745 as follows:

PART 745—SHARE INSURANCE AND APPENDIX

■ 1. The authority citation for part 745 continues to read as follows:

Authority: 12 U.S.C. 1752(5), 1757, 1765, 1766, 1781, 1782, 1787, 1789.

■ 2. Section 745.2 is amended by adding paragraphs (e) and (f) to read as follows:

§ 745.2 General principles applicable in determining insurance of accounts.

* * * * *

(e) *Continuation of insurance coverage following the death of a member.* The death of a member will not affect the member's share insurance coverage for a period of six months following death unless the member's share accounts are restructured in that time period. If the accounts are restructured during the six-month grace period, or upon the expiration of the six months if not restructured, the share insurance coverage will be provided on the basis of actual ownership of the accounts in accordance with the provisions of this part. The operation of this grace period, however, will not result in a reduction of coverage.

(f) *Continuation of separate share insurance coverage after merger of insured credit unions.* Whenever the liability to pay the member accounts of one or more insured credit unions is assumed by another insured credit union, whether by merger, consolidation, other statutory assumption or contract: The insured status of the credit unions whose member account liability has been assumed terminates, for purposes of this section, on the date of receipt by NCUA of satisfactory evidence of the assumption; and the separate insurance of member accounts assumed continues for six months from the date the assumption takes effect or, in the case of a share certificate, the earliest maturity date after the six-month

period. In the case of a share certificate that matures within the six-month grace period that is renewed at the same dollar amount, either with or without accrued dividends having been added to the principal amount, and for the same term as the original share certificate, the separate insurance applies to the renewed share certificate until the first maturity date after the six-month period. A share certificate that matures within the six-month grace period that is renewed on any other basis, or that is not renewed, is separately insured only until the end of the six-month grace period.

■ 3. Section 745.4 is amended by revising paragraph (c) to read as follows:

§ 745.4 Revocable trust accounts.

* * * * *

(c) If the named beneficiary of a revocable trust account is other than the spouse, child, grandchild, parent, brother or sister of the account owner, the funds corresponding to that beneficiary shall be treated as an individually owned account of the owner, aggregated with any other individually owned accounts of the owner, and insured up to \$100,000. For example, if A establishes an account payable upon death to his nephew, the account would be insured as an individual account owned by A. Similarly, if B establishes an account payable upon death to her husband, son and nephew, two-thirds of the account balance would be eligible for revocable trust account coverage up to \$200,000 corresponding to the two qualifying beneficiaries, the spouse and child. The amount corresponding to the non-qualifying beneficiary, the nephew, would be deemed to be owned by B as an individual account and insured accordingly.

* * * * *

■ 4. Section 745.9–1 is amended by revising paragraph (c) to read as follows:

§ 745.9–1 Trust accounts.

* * * * *

(c) This section applies to trust interests created in Coverdell Education Savings Accounts, formerly Education IRAs, established in connection with section 530 of the Internal Revenue Code (26 U.S.C. 530).

■ 5. Section 745.9–2 is amended by revising paragraph (a) to read as follows:

§ 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 section 401(d) (Keogh account), section 408(a) (IRA) and section 408A (Roth IRA) of the Internal Revenue Code (26 U.S.C. 401(d), 408(a) and 408A), or similar provisions of law applicable to a U.S. territory or possession, will be insured up to \$100,000 separately from other accounts of the participant or designated beneficiary. For insurance purposes, IRA and Roth IRA accounts will be combined together and insured in the aggregate up to \$100,000. A Keogh account will be separately insured from an IRA account, Roth IRA account or, where applicable, aggregated IRA and Roth IRA accounts.

* * * * *

■ 6. The Appendix to part 745 is amended by revising the third sentence of Section B to read as follows:

Appendix to Part 745—Examples of Insurance Coverage Afforded Accounts in Credit Unions Insured by the National Credit Union Share Insurance Fund

* * * * *

B. How Are Revocable Trust Accounts Insured?

* * * If the named beneficiary of a revocable trust account is other than the spouse, child, grandchild, parent, brother or sister of the account owner, the funds corresponding to that beneficiary shall be treated as an individually owned account of the owner, aggregated with any other individually owned accounts of the owner, and insured up to \$100,000. * * *

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 2003–CE–28–AD; Amendment 39–13382; AD 2003–24–13]

RIN 2120–AA64

Airworthiness Directives; Cessna Aircraft Company Models 172R, 172S, 182S, 182T, T182T, 206H, and T206H Airplanes

AGENCY: Federal Aviation Administration, DOT.

ACTION: Final rule; correction.

SUMMARY: This document makes a correction to Airworthiness Directive (AD) 2003–24–13, which was published in the **Federal Register** on December 4, 2003 (68 FR 67789), and applies to certain Cessna Aircraft Company (Cessna) Models 172R, 172S, 182S, 182T, T182T, 206H, and T206H