DCUC
DEFENSE CREDIT UNION COUNCIL

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The Honorable John Crews
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: Request for Consideration of Designated Beneficiary Membership Eligibility

Dear Chairman Crews:

On behalf of the Defense Credit Union Council (DCUC), I request that NCUA consider the accompanying proposal for field-of-membership eligibility for designated account beneficiaries. Specifically, we ask the agency to examine whether an existing member's valid beneficiary designation could establish eligibility to join that same credit union, and to identify the legal authority and operational requirements for such a change.

DCUC represents credit unions serving servicemembers, veterans, military families, and their communities. We are submitting this concept for agency review as an industry-level issue rather than a request for relief for an individual institution.

The proposal for consideration

Under the concept, any living natural person validly designated as a beneficiary on a member share account, including a payable-on-death (POD) or in-trust-for (ITF) account, would become eligible for membership when the designation is made. Eligibility would survive the member's death without a separate enrollment deadline. The beneficiary would not need an additional occupational, associational, geographic, immediate-family, or household connection. The concept would apply across federal charter types, with comparable state-charter provisions considered through state systems.

This would establish eligibility, not automatic enrollment. Membership would remain voluntary and subject to ordinary admission, identification, disclosure, and opening-share requirements. A designation would not itself grant access to the member's account or accelerate a beneficiary's entitlement to funds. Beneficiaries would remain free to receive their distributions without joining or retaining the funds at the credit union.

The survivor experience and current framework

The concept brief identifies a distinction that can arise during bereavement: entitlement to account proceeds does not necessarily establish eligibility for membership. A beneficiary may be addressing grief, estate administration, incomplete records, or delayed discovery of an account while also determining whether a separate membership pathway is available. The proposal would permit that membership question to be addressed during the member's lifetime.

NCUA's current Chartering and Field of Membership Manual recognizes immediate-family and household relationships and spouses of people who died within the field of membership. It does not establish a universal beneficiary-based pathway. Some beneficiaries already qualify independently, and existing members generally retain their membership. This request concerns beneficiaries who have not joined and lack another qualifying connection; it does not assert that every survivor must immediately move inherited funds.

In its February 2023 proposed rule, NCUA considered a six-month enrollment period for a deceased person's immediate family and household members. The agency also identified concerns about verifying eligibility indefinitely after death. The present concept differs in both scope and timing: eligibility would arise from a recorded beneficiary designation before death, extend beyond immediate family and household members, and remain available afterward without a special enrollment deadline.

Legal authority and implementation questions

The concept treats a beneficiary designation as a member-created financial relationship and compares that connection with the economic-unit rationale underlying household eligibility. That analogy is a policy argument, not a statement of current law. The Manual presently requires household members to share a residence and maintain a single economic unit. Naming a nonresident beneficiary does not, by itself, meet that definition.

Section 109(e)(1) of the Federal Credit Union Act, 12 U.S.C. 1759(e)(1), limits relationship-based eligibility to immediate family or household members, as defined by the Board. We therefore request an assessment of whether the full concept can be implemented under existing authority. If statutory changes would be necessary, please identify the provisions implicated and the elements that would require congressional action.

The brief identifies potential reductions in repeated eligibility documentation and opportunities for advance planning and relationship continuity. Agency review could examine those potential effects alongside implementation costs, record-retention obligations, fraud risks, and effects on common-bond boundaries. The review could also address beneficiaries outside a charter's geographic area or traditional family categories. Deposit retention would remain a possible outcome of beneficiary choice, not an assured result.

Operational questions include how to authenticate designations; handle revocation, replacement, contingent beneficiaries, minors, and account closure; apply any change to existing records; and distinguish unexercised eligibility from membership already established. The concept does not resolve all of these questions. NCUA's assessment could identify the evidence and transition rules needed, including how long records would remain available to verify eligibility after death.

The concept expressly preserves Bank Secrecy Act, customer-identification, sanctions, fraud-prevention, and estate-settlement controls. A streamlined application could combine required steps without eliminating them. NCUA's review could also address privacy, accessible enrollment options, and clear separation between membership eligibility, account access, share-insurance treatment, and entitlement to distributions.

We request a meeting with your office and the appropriate legal, chartering, and consumer-protection staff to discuss the concept, information needed for evaluation, and whether a request for information, petition for rulemaking, or proposed rule would be the appropriate next procedural step. Please also advise how any review would relate to the agency's earlier consideration of survivor eligibility.

Thank you for considering this request. We would welcome the opportunity to provide anonymized operational examples and discuss the proposal with NCUA, other trade associations, and state-system representatives.

Serving ALL Who Serve,

Jason Stverak
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