NAVY FEDERAL CREDIT UNION

Office of the President

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October 24, 2005

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Part 330 – Stored Value Cards

Dear Mr. Feldman:

Navy Federal Credit Union provides the following comments in response to the Federal Deposit Insurance Corporation's (FDIC) proposed changes to 12 CFR Part 330. Navy Federal is the nation's largest natural person credit union with $25 billion in assets and 2.6 million members. Although Navy Federal is not subject to FDIC's deposit insurance rules, Navy Federal is subject to the National Credit Union Administration's (NCUA) share insurance coverage rules at 12 CFR Parts 740, 741 and 745. Since NCUA has traditionally had a policy of maintaining parity with the FDIC's rules,[i] we believe responding to the FDIC's proposal is appropriate.

Navy Federal opposes the proposed rule. We continue to believe that stored value cards are irrelevant to the discussion of federal deposit insurance coverage. It is our understanding that the FDIC's rules at 12 CFR Part 330 implementing the Federal Deposit Insurance Act hinge on the term "deposit account." While the rules do not appear to define the specific term "deposit account," Section 330.3 states "The insurance coverage provided by the Act and this part is based upon the ownership rights and capacities in which **deposit accounts** are maintained at insured depository institutions (emphasis added)." This general principle substantiates the traditional belief that deposit insurance coverage has typically been applied to accounts, notwithstanding any access devices that may be associated with those accounts. We do not believe that this traditional basis for applying deposit insurance coverage rules should change. Therefore, if a financial institution maintains an account reflecting funds owned by a particular account holder, we believe the account should be subject to federal deposit insurance rules, regardless whether the account holder can access the funds in the account with a particular access device.

In addition, we continue to believe that proposed rules addressing stored value cards are premature. In 1996, the Federal Reserve Board issued a proposal to define "stored value cards" and subject those cards to Regulation E.[ii] The Board, however, chose not to finalize its proposal for fear it would stifle development of the stored value card industry. We believe the FDIC's

proposal, if finalized, could also stifle development of stored value products. Merchants and financial institutions continue to release new and innovative types of stored value products each year. A regulation defining the funds underlying stored value cards as insurable "deposits" may hinder such creative development and limit stored value options for consumers. Further, we are not aware of safety and soundness issues or significant consumer abuses associated with the insurability of these products. Therefore, we do not believe that a sweeping proposal to subject all funds underlying stored value cards that are held at insured financial institutions to federal deposit insurance coverage is appropriate or necessary at this time.

Navy Federal appreciates the opportunity to comment on FDIC's proposed changes to 12 CFR Part 330.

Sincerely,

Cutler Dawson
President/CEO

CD/sb

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[i] *Federal Register*, Vol. 69, No. 38, p. 8799
[ii] *Federal Register*, Vol. 61, No. 86, p. 19696