

**May 20, 2003**

Mr. Arnold L. Sweet

(b)6

Re: Payable-on-Death Accounts.

Dear Mr. Sweet:

You have asked if a federal credit union (FCU) is required to offer payable-on-death (POD) accounts because your FCU told you that it does not offer them. No, the Federal Credit Union Act does not require FCUs to provide these accounts.

While the FCU Act does not require FCUs to provide POD accounts, we find it unusual for an FCU not to permit members to establish simple POD accounts. POD accounts permit a member to establish an account that is payable on the death of the member to a spouse, child, grandchild, parent, or sibling. POD accounts are a type of revocable trust account also known as testamentary accounts or Totten trust accounts. 12 C.F.R. §745.4. These accounts are the primary way many members are able to expand their account insurance coverage beyond the \$100,000 that is already available for single or joint accounts.

To establish a POD account, it is only necessary for a member's intention that the funds pass on the member's death to a designated, qualifying beneficiary be manifested in the title of the account, using accepted terms such "in trust for," "as trustee for," "payable-on-death to," or an acronym for these expressions. There is no requirement for a separate, formal trust agreement. A federally insured credit union can provide these accounts by titling an account properly and ensuring that the qualifying beneficiaries are specifically named in the account records of the insured credit union. An FCU offering POD accounts does not, as such, become a trustee or subject itself to any liability related to the management of trust assets. We encourage you to express your interest in having your FCU offer POD accounts to your FCU's board of directors.

Sincerely,

Sheila A. Albin  
Associate General Counsel

GC/CJL/SAA:bhs  
03-0413