CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

January 10, 2014

H.R. 3468
Credit Union Share Insurance Fund Parity Act

As ordered reported by the House Committee on Financial Services on November 14, 2013

H.R. 3468 would expand federal deposit insurance to include Interest on Lawyer Trust Accounts (IOLTAs) and similar escrow accounts housed within credit unions. Enacting this legislation would increase the cost to the government of resolving some future credit union failures; CBO estimates those costs would be minimal and would generally be offset by other collections, resulting in no significant net impact on direct spending over the next 10 years.

Pay-as-you-go procedures apply because enacting H.R. 3468 would affect direct spending. Enacting the legislation would have no effect on revenues.

Attorneys and law firms use IOLTAs to pool client funds that are small enough in size and expected duration that establishing separate trusts would not benefit the individuals. Interest earned on IOLTA deposits is used to fund legal expenses for low-income individuals and for other justice-related projects. Under current law, IOLTAs are not insured by the National Credit Union Administration (NCUA). H.R. 3468 would extend federal insurance to those accounts.

While, in some cases, increasing insured deposits would raise the cost of resolving a failed credit union, CBO expects net costs to the federal government in this case would be insignificant. By definition, deposits into IOLTAs are nominal in size and are held for a short period of time; thus, they make up a very small percentage of a credit union's liabilities. Second, IOLTA deposits already receive federal insurance through the Federal Deposit Insurance Corporation (FDIC). Any deposits insured as a result of this legislation that were previously held by an FDIC-insured institution are not expected to increase net costs to the federal government (in other words, any increase in costs to the NCUA would be offset by a decrease in costs to the FDIC). Finally, except in rare circumstances, the NCUA must keep the balance of its Share Insurance Fund within a specified range, with member credit unions assessed or rebated amounts outside of that range. Under current law, CBO assumes the fund will operate above that range in most years, resulting in rebates. In those scenarios, any small increase in cost as result of this legislation would result in an equivalent reduction in rebates to member credit unions, with no net change in direct spending.

H.R. 3468 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

The CBO staff contact for this estimate is Daniel Hoople. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.