October 4, 2021

Mr. James P. Sheesley
Assistant Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
Attention: Comments RIN 3064–AF27

RE: Simplification of Deposit Insurance Rules, RIN 3064–AF27[1]

Dear Mr. Sheesley:

The Independent Community Bankers of America[2] (ICBA) appreciates the opportunity to offer comments in response to the Federal Deposit Insurance Corporation's (FDIC) proposal to simplify its deposit insurance rules for revocable trusts, irrevocable trusts, and mortgage servicing accounts (MSAs). ICBA commends the FDIC for selecting a simple, uniform, and straightforward methodology to determine coverage amounts for trust accounts, and for providing detailed hypothetical examples of deposit insurance calculations in the proposed rule to inform bankers and the public about how the proposed rule may be applied in practice.

Under the proposed rule, the FDIC would merge the deposit insurance coverage categories for revocable trusts and irrevocable trusts into one "trust accounts" category, and apply one calculation to determine insurance coverage for deposits held by revocable and irrevocable trusts.[3] The proposed rule would provide that a grantor's trust deposits are insured in an amount

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[1] FDIC, "Simplification of Deposit Insurance Rules," 86 Federal Register 41766 (Aug. 3, 2021).

[2] The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. ICBA is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services. With nearly 50,000 locations nationwide, community banks constitute 99 percent of all banks, employ more than 700,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding more than $5.8 trillion in assets, over $4.8 trillion in deposits, and more than $3.5 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.

[3] The calculation method the FDIC proposes to apply to both revocable and irrevocable trusts is already utilized by the FDIC to calculate coverage for revocable trusts that have five or fewer beneficiaries and it is generally well-understood by bankers and trust depositors.

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up to the standard maximum deposit insurance amount (SMDIA) (currently $250,000) multiplied by the number of trust beneficiaries, not to exceed five (5) beneficiaries.[4] Additionally, the FDIC would provide consistent deposit insurance treatment for all mortgage servicing account balances held to satisfy principal and interest obligations to a lender, regardless of whether those funds are paid into the account by borrowers, or advanced by a mortgage servicer on behalf of a delinquent borrower. Under the proposal, accounts maintained by a mortgage servicer in an agency, custodial, or fiduciary capacity, which consist of payments of principal and interest, would be insured for the cumulative balance paid into the account in order to satisfy principal and interest obligations to the lender, whether paid directly by the borrower or by another party, up to the limit of the SMDIA per mortgagor.

ICBA agrees with the FDIC that the proposed rule will make the coverage rules easier to understand and apply, which in turn, will promote greater financial stability and depositor confidence in the regulated banking system. Depositors and bankers no longer need to apply different, nuanced calculations to revocable and irrevocable trusts, and as explained in the proposal, the changes will reduce the need for time-consuming and resource-intensive reviews of trust documentation to calculate deposit insurance coverage.[5]

However, as the FDIC notes in the proposal, the suggested methodology may result in some instances where current coverage amounts exceed the coverage amounts provided under the proposed rule. Without knowing the precise number of accounts that may be negatively affected by the proposed changes to deposit insurance coverage, it is imperative the FDIC provide banks and depositors sufficient time to identify all affected accounts, revise trust documents and restructure deposit relationships before any final rule becomes effective. Therefore, ICBA strongly urges the FDIC to finalize a delayed implementation period, which we believe should be no less than two (2) years, though additional time up to four (4) years would be particularly beneficial for restructuring complex trusts. Additionally, if the rule is finalized, ICBA requests the FDIC supply banks with template language to provide to depositors to explain the changes the agency has made to its deposit insurance calculations and coverage amounts.

Further, because the ICBA anticipates that bankers, depositors and FDIC staff will likely identify additional deposit insurance calculation scenarios that are not articulated the proposed rule, ICBA requests the FDIC publish a regularly updated frequently asked questions (FAQ) guidance

[4] This would, in effect, limit coverage for a grantor's trust deposits at each insured depository institution (IDI) to a total of $1,250,000, meaning maximum coverage would be equivalent to $250,000 per beneficiary up to five beneficiaries.

[5] For example, under the proposed rule, depositors would still need to identify the grantors and the eligible beneficiaries of the trust, however, deposit insurance calculations under the proposed rule would no longer require a review of the specific allocation of trust funds to each of the beneficiaries of the trust or by contingencies outlined in the trust agreement.

document on its website to ensure any subsequent interpretations, guidance, and example deposit insurance calculations are transparent and widely disseminated to banks and depositors.

In conclusion, ICBA supports the proposed rule, and applauds the FDIC for its efforts to simplify and modernize its deposit insurance rules. If you have any questions, please do not hesitate to contact me at jenna.burke@icba.org.

Sincerely,

/s/ Jenna Burke

Senior Vice President and
Senior Regulatory Counsel