# FACT SHEET | Notice of Proposed Rulemaking on Simplification of Deposit Insurance Rules for Trust and Mortgage Servicing Accounts

*The Federal Deposit Insurance Corporation (FDIC) published a proposed rule to amend the deposit insurance regulations for trust accounts and mortgage servicing accounts.*

## SIMPLIFIES DEPOSIT INSURANCE RULES FOR TRUST ACCOUNTS

- To make the deposit insurance rules easier to understand for depositors and bankers, the rules currently used to determine coverage for deposits of revocable trusts and irrevocable trusts – which are different for the two types of trusts – would be replaced with a simpler common rule.

- A deposit owner's trust deposits would be insured in an amount up to $250,000 for each of the trust beneficiaries, not to exceed five, regardless of whether a trust is revocable or irrevocable, and regardless of contingencies or the allocation of funds among the beneficiaries.

- This would provide for a maximum amount of deposit insurance coverage of $1,250,000 per owner, per insured depository institution for trust deposits.

- The proposed rule is also intended to facilitate more timely deposit insurance determinations for trust accounts in the event of a bank failure by streamlining the detailed, time-consuming review of trust agreements that is often required under the current, complicated trust rules.

## ENHANCES CONSISTENCY FOR MORTGAGE SERVICING ACCOUNT DEPOSITS

- The deposit insurance rules for mortgage servicing accounts comprised of principal and interest funds currently provide coverage based on each mortgagor's payments of principal and interest into the mortgage servicing account, up to $250,000 per mortgagor.

- Some servicers advance their own funds to the lenders on behalf of borrowers. Under the current rule, such advances are not provided the same level of deposit insurance coverage as other deposits in a mortgage servicing account comprised of principal and interest payments directly from the mortgagors.

- Under the proposed rule, servicers' advances of principal and interest funds on behalf of mortgagors would be insured up to $250,000 per mortgagor, consistent with the coverage for payments of principal and interest collected directly from mortgagors.

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