

GOVERNMENT ACCOUNTS [\(12 C.F.R. § 330.15\)](#)

I. Definition

Government accounts are also known as public unit accounts. This category includes accounts of the federal government, state governments, and other governmental bodies as discussed below.⁴ In this category, the governmental body itself is not treated as the insured depositor. Rather, the “official custodian” of the account (as discussed below) is treated as the insured depositor.

II. Insurance Limit

Deposit insurance coverage for public units depends on the type of the deposit and the location of the IDI.

1. Accounts Held in an In-state IDI

In general, all time and savings accounts held by an official custodian in an IDI located in the same state as the public unit are insured for up to \$250,000. Separately, demand deposit accounts (interest-bearing and noninterest-bearing) owned by a public unit and held by the same official custodian in an IDI within the state in which the public unit is located are added together and insured up to \$250,000.

2. Accounts Held in an Out-of-state IDI

The insurance coverage of accounts held by government depositors is different if the IDI is located outside the state in which the public unit is located. In that case, all deposits owned by the public unit and held by the same official custodian are added together and insured up to \$250,000. Time and savings deposits are not insured separately from demand deposits.

Demand deposits maintained by an official custodian of the United States are insured separately from any time deposits maintained by the same custodian at the same IDI, regardless of the state in which the IDI is located.

⁴ Note that accounts of Native American tribes are insured under the government accounts category, *see* 12 CFR 330.15(a)(5), while deposit accounts held by the Bureau of Indian Affairs on behalf of Native Americans and deposited into an IDI are insured separately as provided in 12 CFR 330.7(e). See the discussion at page 120.

Deposit insurance coverage is not increased by placing deposits into multiple demand deposit accounts or multiple time or savings accounts controlled by the same official custodian for the same public unit.

For the purpose of these rules, the term “savings deposits” includes NOW accounts and MMDAs but does not include interest-bearing demand deposit accounts. The term “demand deposits” means deposits payable on demand and for which the IDI does not reserve the right to require advance notice of an intended withdrawal. For the purpose of deposit insurance coverage under this category of ownership, interest-bearing demand deposit accounts are insured as demand deposit accounts and not as savings accounts.

III. Governmental Entities

Entities insured in the government accounts category include the United States, states, counties, municipalities, the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, the Trust Territory of the Pacific Islands, Guam, The Commonwealth of the Northern Mariana Islands, Native American tribes, drainage districts, irrigation districts, navigation districts, improvement districts, levee districts, sanitary districts, school districts, power districts, bridge or port authorities, and other special districts created by state statute or compacts between the states, and other “political subdivisions.”

Political subdivision is defined as any subdivision or principal department of a public unit (state, county, or municipality) if the subdivision or department meets the following tests:

- The creation of the subdivision or department has been expressly authorized by the law of such public unit;
- Some functions of government have been delegated to the subdivision or department by such law; and
- The subdivision or department is empowered to exercise exclusive control over funds for its exclusive use.
- A political subdivision (through its official custodian) is entitled to its own insurance coverage.

IV. Official Custodians

The “official custodian” of the account is treated as the insured depositor. If a public unit has multiple official custodians, the deposits of each official custodian are separately insured.

The official custodian is an officer, employee, or agent of a public unit who has plenary authority, including control, over funds owned by the public unit, which the official custodian is appointed or elected to serve. Control of public funds includes possession of, as well as the authority to establish, accounts in an IDI and to make deposits, withdrawals and disbursements.

One person may serve as official custodian of the deposits of more than one public unit. In addition, a public unit may have two or more official custodians, all of whom will have separate insurance coverage for the deposits in their control. To qualify for separate insurance coverage, however, each official custodian must have plenary authority, including control, over the deposits owned by the public unit.

Deposit insurance coverage cannot be increased by dividing funds among several putative official custodians who lack plenary authority over such funds. Similarly, coverage cannot be increased by dividing funds among several accounts controlled by the same official custodian for the same public unit. If the exercise of authority or control over the deposits of a public unit requires action by, or the consent of, two or more custodians, the FDIC would treat the two custodians acting together as one official custodian for the purpose of calculating deposit insurance coverage.

Example 32

Facts:

John Martinez, the official custodian for Orange Town, has opened some deposits at XYZ Bank, an in-state IDI: a MMDA for \$150,000, a CD for \$100,000 and an interest-bearing DDA for \$250,000. What is the deposit insurance coverage?

Rule:

- a) For public unit funds that are deposited in an IDI located in the same state as the public unit, an official custodian will receive coverage up to \$250,000 for the combined amount of all time and savings accounts.
- b) For public unit funds that are deposited in an IDI located in the same state as the public unit, the official custodian will receive separate coverage for up to \$250,000 for the combined amount of all demand deposit accounts.

Answer:

For the public funds that are deposited in Any Bank, an in-state IDI, John Martinez as the official custodian will be insured for up to \$250,000 for the combined amount of the MMDA and the CD. Since the aggregate balance of the MMDA and the CD is \$250,000, John Martinez is fully insured for the time and savings accounts.

In addition, he would be insured separately for \$250,000 for the interest-bearing demand deposit account that is also deposited at XYZ, the in-state IDI.

| Example 32: Government accounts are insured based on the location and the type of deposit | | | | | |
|--|-----------------------------|----------------------|------------------------|-----------------------|-------------------------|
| Account Title | Location of Deposits | Deposit Type | Account Balance | Insured Amount | Uninsured Amount |
| Orange Town | In-state IDI | MMDA | \$150,000 | \$150,000 | \$0 |
| Orange Town | In-state IDI | Interest-bearing DDA | \$250,000 | \$250,000 | \$0 |
| Orange Town | In-state IDI | CD | \$100,000 | \$100,000 | \$0 |
| Total | | | \$500,000 | \$500,000 | \$0 |

Example 33

Facts:

Bernice Lewis is the official custodian for the Municipality of Magenta. Andy Jackson is a signer on the account, but is not an elected or appointed official with plenary authority over the funds. At the local IDI, there are two accounts held by the municipality: a MMDA for \$150,000 and a NOW account for \$100,000. What is the deposit insurance coverage for these accounts?

Rule:

Deposit insurance coverage is provided for the official custodian of a government account.

Answer:

Since Bernice is the only official custodian who can exercise plenary control over the funds of the Municipality of Magenta, then for deposit insurance purposes, there is only one official custodian, and the maximum deposit insurance coverage for these accounts would be up to \$250,000. Andy’s designation as a signer does not provide for additional deposit insurance coverage. Furthermore, since both accounts (MMDA and NOW) are savings accounts, Bernice is insured for \$250,000. Although an official custodian can qualify for up to \$500,000 in deposit insurance coverage for in-state accounts, no more than \$250,000 can be held in time and savings accounts and no more than \$250,000 can be held in demand deposit accounts.

Example 33:
Coverage for government accounts is provided to the official custodian of the public unit

| Account Title | Location of Deposits | Deposit Type | Official Custodian | Account Balance | Insured Amount | Uninsured Amount |
|-------------------------|-----------------------------|---------------------|---------------------------|------------------------|-----------------------|-------------------------|
| Municipality of Magenta | In-state IDI | MMDA | Bernice Lewis | \$150,000 | \$150,000 | \$0 |
| Municipality of Magenta | In-state IDI | NOW | Bernice Lewis | \$100,000 | \$100,000 | \$0 |
| Total | | | | \$250,000 | \$250,000 | \$0 |

V. Collateralization of Public Funds

The FDIC does not insure government accounts above the limits described in this section. However, depending on applicable state or federal law, government accounts may be secured above FDIC insurance limits by collateral provided by a third party or the assets of the IDI. In the event of the failure of the IDI, the FDIC, as receiver, will honor the collateralization agreement assuming the agreement is valid and enforceable under the applicable law. *The FDIC does not guarantee, however, that the collateral will be sufficient to cover the amount of the uninsured funds.*

If the collateral is insufficient to cover these funds, then the depositor becomes a creditor of the failed IDI receivership estate to the extent of the uninsured amount.

VI. Common Misconceptions

1. Custodians for public units may not realize that to obtain \$500,000 in total coverage at one IDI, no more than \$250,000 can be deposited into time and savings accounts (for example, savings accounts, CDs and NOW accounts) and no more than \$250,000 in demand deposit accounts (both interest-bearing and noninterest-bearing demand deposit accounts). Also, such separate coverage (up to \$250,000 for time and savings accounts and up to \$250,000 for demand deposit accounts) is not available unless the public unit is located in the same state as the IDI.
2. Custodians for public units may not realize that public unit deposits designated for different purposes are not separately insured. If the funds are all held by the same official custodian of the same public unit, the deposits will be added together when calculating insurance coverage. Assuming the public unit is located in the same state as the IDI, the coverage would be up to \$250,000 for all time and savings accounts and up to \$250,000 for all demand deposit accounts.