

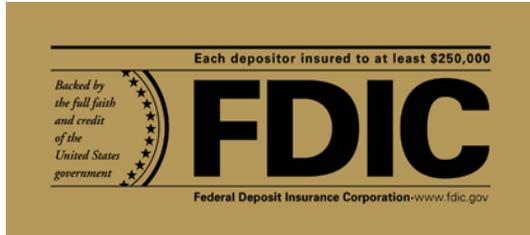
DEPOSIT INSURANCE BASICS

FDIC's Deposit Insurance Program

The FDIC protects the depositors of IDIs against the loss of their deposits due to an IDI failure (up to the applicable insurance limit).

FDIC Official Sign [\(12 C.F.R § 328.1\)](#)

IDIs must display the FDIC sign shown below at each teller window or teller station “where insured deposits are usually and normally received.”



Standard Maximum Deposit Insurance Amount (“SMDIA”) [\(12 C.F.R. § 330.1\(o\)\)](#)

The FDIC pays deposit insurance upon the failure of an IDI. In paying deposit insurance, the FDIC insures the balance of each depositor's accounts, dollar-for-dollar, including principal and any accrued interest, up to the applicable insurance limit. The basic amount of FDIC deposit insurance coverage provided to depositors of an IDI is referred to as the Standard Maximum Deposit Insurance Amount (“SMDIA”). At present, the SMDIA is \$250,000.

Deposits in Excess of the Insurance Limit

Following the failure of an IDI, the FDIC as receiver will liquidate the institution’s assets for the benefit of the institution’s creditors. One group of creditors will be those depositors whose deposits exceed the applicable insurance limits. Through the liquidation process, these depositors may recover some of their excess or uninsured funds. Through the FDIC’s payment of deposit insurance, these depositors will recover their insured funds (*i.e.*, funds up to the insurance limit) in full.

Below is a chart detailing the amount of SMDIA since 1934.

Date	Insurance Coverage Changes
January 1, 1934	\$2,500
July 1, 1934	\$5,000
1950	\$10,000
1966	\$15,000
1969	\$20,000
1974	\$40,000
1980	\$100,000
April 1, 2006	\$100,000 Certain retirement accounts insured up to \$250,000
October 3, 2008 – July 21, 2011	Temporary increase of SMDIA to \$250,000 Full guarantee for noninterest-bearing transaction accounts through 12/31/2010 for IDIs participating in the Transaction Account Guarantee Program (“TAGP”) Unlimited coverage for noninterest-bearing transaction accounts from 12/31/2010 through 12/31/2012 under the Dodd-Frank Act
January 1, 2010 – Present	Full guarantee for noninterest-bearing transaction accounts through 12/31/2010 for IDIs participating in the TAGP Unlimited coverage for noninterest-bearing transaction accounts from 12/31/2010 through 12/31/2012 under the Dodd-Frank Act Increase of the SMDIA to \$250,000

FDIC Deposit Insurance is Provided for “Deposit” Products

FDIC insures all types of deposits received by an IDI in its usual course of business, including deposits in:

- Demand deposit accounts (“DDAs”)
- Negotiable order of withdrawal (“NOW”) accounts
- Money market deposit accounts (“MMDAs”)
- Passbook and statement savings accounts
- Time deposit accounts, including certificates of deposit (“CDs”)

- Official items such as:
 - Money orders - Expense checks
 - Interest checks - Official checks/cashier's checks
 - Travelers checks - Loan disbursement checks

Types of IDI Products that the FDIC Does Not Insure

Some IDIs offer their customers financial products or investments that do not meet the FDIC definition of a “deposit” and therefore are not insured by the FDIC. Examples of nondeposit products that are not insured by the FDIC include:

- *Investments in mutual funds*, including money market mutual funds and mutual funds that invest in stocks, bonds, and other securities
- *United States Treasury securities* (United States Treasury securities are backed by the full faith and credit of the United States government.)
- *Annuities*, which are contracts underwritten by insurance companies guaranteeing income in exchange for a lump sum or periodic payment
- *Stocks, bonds or other securities*
- *Insurance products*, such as automobile, life, or credit insurance
- *Safe deposit boxes* (The contents of safe deposit boxes may be covered by the IDI’s hazard insurance and/or the box holder’s homeowners or renters insurance.)

Many IDIs recommend or sell to retail customers nondeposit investment products, such as mutual funds and annuities. These IDIs provide these services at the retail level, directly or through various types of arrangements with third parties. IDIs with sales activities for nondeposit investment products should ensure that customers for these products are clearly and fully informed of the nature and risks associated with these products.

In 1994, the federal financial regulatory agencies — FDIC, Office of the Comptroller of the Currency (“OCC”), the Office of Thrift Supervision¹ (“OTS”) and the Board of Governors of the Federal Reserve System (“FRB”) — issued an Interagency Statement on Retail Sales of Nondeposit Investment Products.

¹ OTS ceased operations as of October 19, 2011.

This policy statement requires all IDIs to:

- Fully inform their customers about investment risks
- Differentiate investment products from insured deposits
- Distinguish the investment product sales area from the retail deposit-taking area
- Employ properly licensed and trained sales representatives
- Develop effective program management, particularly when investments are sold through third parties

FDIC Will Rely on IDI Deposit Account Records ([12 C.F.R. § 330.5\(a\)](#))

In the event of the failure of an IDI, the FDIC relies upon the deposit account records of the IDI to determine the ownership of an account and the amount of deposit insurance coverage available to each depositor. If the records are clear and unambiguous, those records are considered binding on the depositor, and the FDIC will not consider other records on the manner in which the deposits are owned.

Deposit Account Records ([12 C.F.R. § 330.1\(e\)](#))

Deposit account records include:

- Signature cards
- CDs and passbooks
- Account ledgers and computer records that relate to the IDI's deposit-taking function
- Corporate resolutions authorizing accounts in the possession of the IDI
- Official items
- Other books and records of the IDI

The FDIC may request supplemental documentation such as articles of incorporation, copies of trusts, and affidavits or declarations to substantiate ownership of deposit funds. The FDIC may use these documents to confirm that the deposits are actually owned in the manner indicated in the IDI's account records and to determine the amount of deposit insurance coverage for which the account qualifies.

➤ Deposit Insurance Basics

If the FDIC determines that a depositor has misrepresented the ownership of a deposit account in an attempt to increase insurance coverage, the FDIC will make payment of deposit insurance based on the actual ownership of the account.

Deposits Maintained by Non-United States Citizens or Residents **[\(12 C.F.R. § 330.3\(c\)\)](#)**

The availability of deposit insurance is not limited to citizens and residents of the United States. Any person or entity that maintains deposits in an IDI (unless the office or branch of the IDI is located outside the United States as discussed below) is eligible for deposit insurance coverage.

Deposits Denominated in a Foreign Currency **[\(12 C.F.R. § 330.3\(c\)\)](#)**

Deposit insurance coverage is provided for deposits in an IDI that are denominated in a foreign currency. Deposit insurance for such deposits will be determined in the amount of United States dollars that is equivalent in value to the amount of the deposit denominated in the foreign currency. The FDIC's regulations provide that the exchange rates to be used for such conversions are the 12 PM rates (the "noon buying rates for cable transfers") quoted for major currencies by the Federal Reserve Bank of New York on the date of default of the IDI. If the deposit agreement specifies that some other widely recognized exchange rates are to be used for all purposes under that agreement, then the FDIC will use those specified rates for the conversions.

Deposits in Insured Branches of Foreign Banks **[\(12 C.F.R. § 330.3\(d\)\)](#)**

Deposits in an insured branch of a foreign bank that are payable by contract in the U.S. are entitled to FDIC insurance coverage. The coverage limits are the same as for United States IDIs.

Deposits Outside the United States **[\(12 C.F.R. § 330.3\(e\)\)](#)**

With limited exceptions, any obligation of an IDI which is payable solely at an office of that institution located outside any State of the United States, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa, the Trust Territory of the Pacific Islands, the Virgin Islands, and Northern Mariana Islands, is not a deposit for deposit insurance purposes.

International Banking Facility ("IBF") Deposits **[\(12 C.F.R. § 330.3\(f\)\)](#)**

No insurance is provided by the FDIC for funds held in an "international banking facility time deposit," or IBF account, as defined by FRB.

Effect of State Law ([12 C.F.R. § 330.3\(h\)](#))

Deposit insurance is for the benefit of the owner or owners of deposits. Consequently, ownership of deposits under state law is a necessary condition for deposit insurance coverage.

For example, in order for deposits held in the name of a partnership to be insured separately from the personal deposits of the partners, the partnership must be valid or recognized under state law.

Ownership under state law, however, is only one factor in determining the extent of deposit insurance coverage available for a particular deposit account. Deposit insurance coverage also depends upon the following:

- The deposit account records of the IDI
- Satisfaction of the FDIC's requirements for the particular ownership category

Some state laws, such as community property laws, do not affect deposit insurance coverage. For example, although deposits held in one name alone by a husband or wife in a community property state are considered jointly owned by both spouses under state law, they are considered single accounts for deposit insurance purposes. Ultimately, Federal laws and regulations control deposit insurance. You can contact the FDIC if you have questions about the applicability of a specific state law in calculating deposit insurance coverage.

Right of Offset

The FDIC is authorized to withhold insurance from those depositors who are indebted to the failed IDI until the debt is satisfied. Also, in its capacity as receiver for the failed IDI, the FDIC possesses the right to “offset” or “set off” the depositor’s deposit against an unpaid debt (such as a delinquent loan). This right of “offset” depends upon the satisfaction of certain requirements under state law.

When a depositor’s deposit exceeds the insurance limit (as discussed in the preceding section), the depositors themselves may wish to “set off” the uninsured funds against their debts (including non-delinquent loans). Assuming the satisfaction of any requirements imposed by state law, the FDIC as receiver will allow such offsets. For information about the offset requirements in a particular state, depositors should seek advice from their own legal advisers.

Offset Requirements

1. There must be mutuality between the parties (the same person or entity which owes the debt to the IDI must also own the funds deposited with the IDI). Where mutuality exists, single accounts may be offset against single name debts to the IDI. Joint account deposits can be offset against joint obligations. Accordingly, for both delinquent and non-delinquent loans, in order for a right of offset to apply, the requirements for mutuality must be met. If there is no mutuality, then no offset is possible.
2. The funds are not a “special purpose” deposit (e.g., funds held by an IDI’s trust department for safekeeping).
3. The offset is permitted by state law.

Offset is a complex area and IDI employees should advise their customers to consult with an attorney to determine whether it is applicable in their particular situation and in their particular states.

The FDIC has a detailed advisory opinion on offset. The advisory opinion can be accessed on the FDIC’s website at <https://www.fdic.gov/regulations/laws/rules/4000-6100.html>.