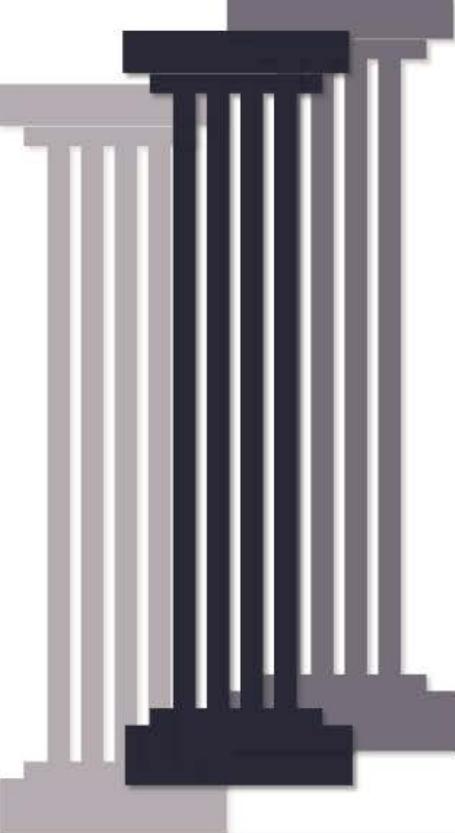




FEDERAL DEPOSIT INSURANCE CORPORATION

A graphic of three stylized classical columns. The central column is black, while the two flanking columns are light gray. They are arranged in a slightly overlapping, receding perspective.

# **Comprehensive Deposit Insurance Seminar For Bankers**

**September 2020**

# Outline

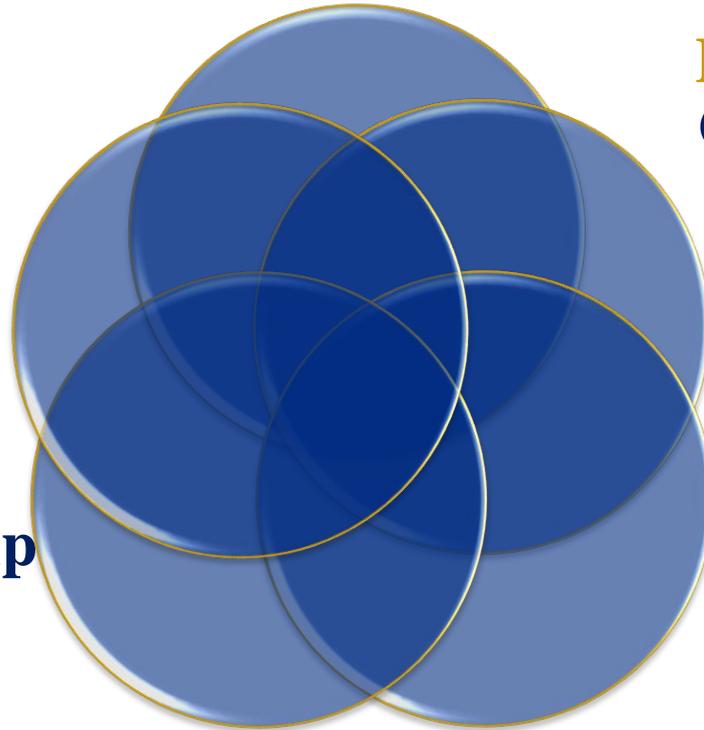
## Part 1

**General Principles**

**Part 2 Introduction to  
Ownership Categories**

## Part 3

**Review of Ownership  
Category  
Requirements**



## Part 4

**Deposit Insurance  
Coverage Resources**

# Deposit Insurance Coverage Resources

- ❑ Many of the FDIC's deposit insurance resources are available on FDIC's Deposit Insurance Coverage homepage - <https://www.fdic.gov/deposit/>
- ❑ FDIC's Electronic Deposit Insurance Estimator (EDIE) – <https://edie.fdic.gov/index.html>
- ❑ FDIC's Your Insured Deposits – a written guide for use and distribution to depositors - <https://www.fdic.gov/deposit/deposits/brochures/your-insured-deposits-english.html>
- ❑ FDIC's Online Product Catalogue – <https://catalog.fdic.gov/>
- ❑ Financial Institution Employee's Guide to Deposit Insurance (Employee's Guide) – <https://www.fdic.gov/deposit/DIGuideBankers/index.html>
- ❑ FDIC's toll free number 1-877-ASK-FDIC or 1-877-275-3342
- ❑ Deposit Insurance On-Line Form – <https://ask.fdic.gov/FDICDepositInsuranceForm>

# The Financial Institution Employee's Guide to Deposit Insurance

2016 Edition



<https://www.fdic.gov/deposit/diguidebankers/index.html>

# The Financial Institution Employee's Guide to Deposit Insurance

- ❑ The Employee's Guide is available on the FDIC's deposit insurance webpage.
- ❑ This resource was published in 2016 and is designed to assist bank employees in understanding deposit insurance coverage.
- ❑ This resource provides bankers in-depth explanations of the 14 deposit insurance ownership categories, as well as comprehensive examples for the nine most common ownership categories.
- ❑ This presentation is a summary of information that can be found in the Employee's Guide.
- ❑ This link to the Employee's Guide can be bookmarked or a PDF version available may be printed.

<https://www.fdic.gov/deposit/diguidebankers/index.html>

# Seminar on Deposit Insurance Coverage

## Part 1 – General Principles

# General Principles

- ❑ Since 1933, the FDIC seal at financial institutions has signified trust and stability to millions of Americans.
- ❑ FDIC deposit insurance is backed by the full faith and credit of the United States government.
- ❑ Since the FDIC's inception no depositor has ever lost a penny of insured deposits.
- ❑ FDIC insurance enables consumers to confidently deposit their money at FDIC insured banks across the United States and in the unlikely event of a bank failure, guarantees they can get their insured deposits promptly.

# General Principles

- ❑ Depositors are insured at each bank for up to at least the standard maximum deposit insurance amount (“SMDIA”).
- ❑ The SMDIA is \$250,000 (made permanent in 2010 under the Dodd-Frank Wall Street Reform and Consumer Protection Act).
- ❑ Coverage includes principal and accrued interest up through the date of a bank’s failure.

# General Principles

**FDIC deposit insurance is provided for “deposit” products only.**

<b>Insured—Bank Deposits</b>	<b>Not Insured—Non-deposit Products</b>
Checking Accounts	Stocks, Bonds, Municipal Bonds, and Other Securities
Money Market Deposit Accounts (“MMDA”)	Mutual Funds (money market mutual funds and stocks, bonds, or other security mutual funds)
Savings Accounts	Annuities
NOW Accounts	Insurance Products
Certificates of Deposit (“CDs”)	Safe Deposit Box Contents

# Basic Insurance Coverage Example

Coverage includes principal and interest earned up to the SMDIA.

<b>Jane Smith</b>	<b>Balance</b>
Principal Amount	\$248,000
Accrued Interest	\$3,000
<b>Total</b>	<b>\$251,000</b>
Amount Insured	\$250,000
<b>Amount Uninsured</b>	<b>\$1,000</b>

# General Principles

Deposit insurance coverage is provided

Per Depositor

Per Ownership Category

Per Bank

# General Principles: Per Depositor

## Coverage is provided on a per depositor basis

- ❑ Deposit accounts owned by different depositors are separately insured.
- ❑ Depositors that may qualify to receive FDIC deposit insurance coverage include:
  - Natural persons;
  - Legal entities such as corporations, partnerships, and unincorporated associations; and
  - Public units such as cities and counties.
- ❑ A depositor does not have to be a citizen or resident of the United States to be eligible for deposit insurance coverage.

# General Principles: Per Ownership Category

## Coverage is provided per ownership category

- ❑ Deposits that a person or entity maintains in different ownership categories at the same bank are separately insured up to the insurance limit.
- ❑ Deposits that a person or entity maintains in the same ownership category at the same bank are added together and insured up to at least \$250,000.

# General Principles: Per Bank

## Coverage is provided on a per bank basis

- ❑ Deposits placed in the branch offices of a bank with the same charter are added together.
- ❑ Deposits placed in separately chartered banks are separately insured.
- ❑ Deposits in separate branches of a bank are NOT separately insured even if the branches are in different states.
- ❑ Deposit insurance coverage is exactly the same at every FDIC-insured bank.

# General Principles

## BankFind

- ❑ Depositors can determine whether a particular institution is insured by the FDIC by entering information into the FDIC's BankFind Directory (“ID”).
- ❑ BankFind provides the latest comprehensive financial and demographic data for every FDIC-insured institution.
- ❑ You can access the database from the main FDIC webpage at [www.fdic.gov](http://www.fdic.gov) or by clicking on this BankFind link : <http://research.fdic.gov/bankfind/>
- ❑ Once on the BankFind Directory, depositors can enter the name of the institution they wish to search and BankFind will return results indicating whether the institution is FDIC insured.

# General Principles

## BankFind—Trade Name Banks

- ❑ Prior to 2014, banks did not report any trade names or URLs of deposit accepting websites to any regulatory agency.
- ❑ The FDIC was concerned that bank use of multiple trade names or website names which are not disclosed could have the potential of confusing depositors as to the insured status of their deposits.
- ❑ A depositor could have funds deposited in a brick and mortar branch of a bank and also hold funds in an online division of the same bank and believe that the two deposits are held at two separate banks.
- ❑ The most common question depositors have is confirming if a trade name is associated with an FDIC member bank.

# General Principles

- ❑ As of March 31, 2014, banks can identify, on their Call Report, trade names as well as URLs for all web pages used to accept deposits from the public.
- ❑ Depositors can now search for a trade name or a URL connected with a bank on BankFind.
- ❑ The accuracy of the information on BankFind is contingent on receiving the most accurate and complete information on trade names and URLs your institution uses.
- ❑ It's important to confirm to both existing and potential depositors that your institution is an FDIC member bank and not a fraudulent scheme.

## Schedule RC-M—Continued

		Dollar Amounts in Thousands					
		RCON	Yes	No			
6.	Does the reporting bank sell private label or third-party mutual funds and annuities? .....	B569					
7.	Assets under the reporting bank's management in proprietary mutual funds and annuities.....	RCON	Amount				
		B570					
8.	Internet website addresses and physical office trade names:						
	a. Uniform Resource Locator (URL) of the reporting institution's primary Internet website (home page), if any (Example: www.examplebank.com):						
	<table border="1"><tr><td>TE47</td><td>4087</td></tr></table> http:// _____	TE47	4087				
TE47	4087						
	b. URLs of all other public-facing Internet websites that the reporting institution uses to accept or solicit deposits from the public, if any (Example: www.examplebank.biz): <sup>1</sup>						
	(1) <table border="1"><tr><td>TE51</td><td>NS29</td></tr></table> http:// _____	TE51	NS29	8.b.(1)			
TE51	NS29						
	(2) <table border="1"><tr><td>TE52</td><td>NS29</td></tr></table> http:// _____	TE52	NS29	8.b.(2)			
TE52	NS29						
	(3) <table border="1"><tr><td>TE53</td><td>NS29</td></tr></table> http:// _____	TE53	NS29	8.b.(3)			
TE53	NS29						
	(4) <table border="1"><tr><td>TE54</td><td>NS29</td></tr></table> http:// _____	TE54	NS29	8.b.(4)			
TE54	NS29						
	(5) <table border="1"><tr><td>TE55</td><td>NS29</td></tr></table> http:// _____	TE55	NS29	8.b.(5)			
TE55	NS29						
	(6) <table border="1"><tr><td>TE56</td><td>NS29</td></tr></table> http:// _____	TE56	NS29	8.b.(6)			
TE56	NS29						
	(7) <table border="1"><tr><td>TE57</td><td>NS29</td></tr></table> http:// _____	TE57	NS29	8.b.(7)			
TE57	NS29						
	(8) <table border="1"><tr><td>TE58</td><td>NS29</td></tr></table> http:// _____	TE58	NS29	8.b.(8)			
TE58	NS29						
	(9) <table border="1"><tr><td>TE59</td><td>NS29</td></tr></table> http:// _____	TE59	NS29	8.b.(9)			
TE59	NS29						
	(10) <table border="1"><tr><td>TE10</td><td>NS29</td></tr></table> http:// _____	TE10	NS29	8.b.(10)			
TE10	NS29						
	c. Trade names other than the reporting institution's legal title used to identify one or more of the institution's physical offices at which deposits are accepted or solicited from the public, if any:						
	(1) <table border="1"><tr><td>TE61</td><td>NS29</td></tr></table> _____	TE61	NS29	8.c.(1)			
TE61	NS29						
	(2) <table border="1"><tr><td>TE62</td><td>NS29</td></tr></table> _____	TE62	NS29	8.c.(2)			
TE62	NS29						
	(3) <table border="1"><tr><td>TE63</td><td>NS29</td></tr></table> _____	TE63	NS29	8.c.(3)			
TE63	NS29						

**8 Primary Internet Web site address of the bank (home page).** If the bank has an Internet Web site or home page, report in this item the primary Web address for this site. If the bank does not have its own Web site or home page, but information on or functions of the bank can be accessed through an affiliate's Web address, that affiliate's primary Web address should be reported. A bank that maintains more than one Web site should provide the Web address that best represents the institution. Web site addresses should not exceed 75 characters in length. Do not provide an e-mail address in the space for the Web address.

A bank's primary Internet Web address is the public Internet site address (also known as the Uniform Resource Locator or URL) that the bank's customers or potential customers enter into Internet browser software in order to find the first page of the bank's Web site. Examples of Web site addresses are www.bank.com, www.isp.com/bank/, and bank.isp.com. When entering a Web address in this item, the Web address should not be prefaced with http:// because this is already included on the form. Because Web addresses reported in this item are publicly available, each bank should ensure that it accurately reports its Web address, if any.

If a bank has no Web site or home page of its own and the bank cannot be accessed through an affiliate's Web address, this item should be left blank.

## Death of an Account Owner

- ❑ The death of an account owner will, in some cases, reduce the amount of deposit insurance coverage. This is especially the case for co-owned accounts.
- ❑ If an account owner dies, the FDIC provides a six-month grace period during which the account will be insured as if the account owner had not died.
- ❑ After the six-month grace period, the funds will be insured according to the ownership category in which the deposits are held.

# General Principles

## Coverage When Banks Merge

- ❑ Basic rule – There is separate deposit insurance coverage (i.e., for deposits at each bank) for up to six months (after the effective date of the merger) if a depositor has funds in two banks that merged.
- ❑ Special exception for time deposits – For time deposits (i.e., CDs) issued by the assumed bank, separate deposit insurance coverage will continue for the greater of either six months or the first maturity date of the time deposit.
  - For additional information on mergers, please call the FDIC at 1-877-275-3342 or view the FDIC's Seminar on Advanced Topics in Deposit Insurance Coverage at the following link: <https://youtu.be/X3Vr7EfOG9w>

# General Principles

## Coverage When A Bank Fails

### **FDIC pays depositors “as soon as possible.”**

FDIC’s goal is to make deposit insurance payments within two business days after a bank’s failure.

Processing brokered deposits may take longer since the broker needs to supply the FDIC with information about each depositor.

FDIC pays 100 cents on the dollar for **all insured deposits.**

Depositors with uninsured deposits may recover a portion of their uninsured funds.

# General Principles

**Deposit  
Account  
Records**



**In the event of a bank failure, the FDIC relies on bank deposit account records to determine ownership.**



**Examples of bank deposit account records may include:**

- **Account ledgers**
- **Signature cards**
- **Certificate of deposits (CDs)**
- **Corporate resolutions in possession of the bank authorizing the accounts**
- **Other books and records of the bank including computer records that relate to the bank's deposit-taking function**

## Part 2 - Introduction to Ownership Categories

# Introduction to Ownership Categories

**In order to determine deposit insurance coverage, bankers must ask and answer the following three questions:**

1. Who owns the funds?
2. What ownership category is the depositor eligible to use or attempting to use?
3. Does the depositor meet the requirements of that category?

# Introduction to Ownership Categories

## 1. Who Owns The Funds:

- ❑ Calculating the amount of FDIC deposit insurance coverage begins with determining who owns the funds.
  
- ❑ An owner or a depositor can be:
  - A person
  - A business/organization
  - A government entity

# Introduction to Ownership Categories

## 2. What ownership category is the depositor eligible to use or attempting to use?

- ❑ An “ownership category,” also referred to as a “right and capacity” in the deposit insurance regulations, is defined by either a federal statute or by an FDIC regulation and provides for separate FDIC deposit insurance coverage.
- ❑ The FDIC regulations provide for 14 ownership categories. This seminar will discuss the nine most common ownership categories.

# Introduction to Ownership Categories

## 3. Does the depositor meet the requirements of a specific category?

- ❑ If depositors can meet the rules for a specific category, then their deposits will be entitled to both of the following:
  - Up to the SMDIA in deposit insurance coverage that is provided for under the ownership category, and
  - Separate coverage from funds deposited under a different ownership category.

# Nine Most Common Ownership Categories

## Owner = individual

**Category 1  
Single  
Accounts**

**Category 2  
Joint  
Accounts**

**Category 3  
Revocable  
Trust  
Accounts**

**Category 4  
Irrevocable  
Trust  
Accounts**

**Category 5  
Certain  
Retirement  
Accounts**

**Category 6  
Employee  
Benefit  
Plan  
Accounts**

## Owner = business/organization

**Category 7  
Corporations,  
Partnerships and  
Unincorporated  
Association Accounts**

## Owner = government entity

**Category 8  
Government  
Accounts**

## Owner = mortgage servicer

**Category 9  
Mortgage  
Servicing  
Accounts**

# Five Least Common Ownership Categories

**Category 10  
Public Bonds  
Accounts**

**Category 11  
Irrevocable  
Trust Account  
with Bank as  
Trustee**

**Category 12  
Annuity  
Contract  
Accounts**

**Category 13  
Custodian  
Accounts for  
Native  
Americans**

**Category 14  
Accounts of a Bank  
pursuant to the Bank  
Deposit Financial  
Assistance Program of the  
Department of Energy**

# Seminar on Deposit Insurance Coverage

## Part 3 – Review of Ownership Category Requirements

# Hypothetical Signature Card

SIGNATURE CARD FOR DEPOSIT ACCOUNTS		
Account Title		
Account Number		
TIN of First Name on Account or Legal Entity		
Signature	Title	
Printed Name	Date	
Signature	Title	
Printed Name	Date	
ACCOUNT DESCRIPTION	ACCOUNT BENEFICIARIES	
<input type="checkbox"/> Personal Account <input type="checkbox"/> Non-Personal Account	Name of Beneficiary Name of Beneficiary Name of Beneficiary	
<input type="checkbox"/> Individual / Single <input type="checkbox"/> Estate <input type="checkbox"/> Individual Unincorporated (e.g. DBA) <input type="checkbox"/> Joint With Survivorship <input type="checkbox"/> Joint No Survivorship <input type="checkbox"/> POD / ITF / Totten <input type="checkbox"/> Revocable Trust <input type="checkbox"/> Irrevocable Trust <input type="checkbox"/> Corporation / Partnership / LLC <input type="checkbox"/> Non-Profit <input type="checkbox"/> Government	<th>POWER OF ATTORNEY (POA)</th> Signature of Agent Printed Name of Agent Signature of Account Owner Date	POWER OF ATTORNEY (POA)
<input type="checkbox"/> Fiduciary		

SELF DIRECTED RETIREMENT ACCOUNT ENROLLMENT	
ACCOUNT TYPE	
<input type="checkbox"/> Traditional IRA <input type="checkbox"/> Roth IRA <input type="checkbox"/> SIMPLE IRA <input type="checkbox"/> SEP IRA	<input type="checkbox"/> Inherited IRA <input type="checkbox"/> Inherited Roth IRA <input type="checkbox"/> Rollover IRA <input type="checkbox"/> Keogh
Name	SSN
Address	DOB    /    /
	Home Phone
	Business Phone
City	State                  Zip
BENEFICIARIES	
Name and Address	Relationship    DOB                  SSN                  Share
1	
2	
3	
4	
CUSTOMER AGREEMENT	
Signature	Date
CUSTODIAN / TRUSTEE ACCEPTANCE	
Signature	Date

# Hypothetical Signature Card

## Ownership Categories

(Cat.1) Single Accounts



- Individual / Single
- Estate
- Individual Unincorporated (e.g. DBA)

(Cat.2) Joint Accounts



- Joint With Survivorship (JTWROS)
- Joint No Survivorship (TIC)

(Cat.3) Revocable Trust Accounts



- POD / ITF / Totten (Informal)
- Revocable Trust (Formal)

# Hypothetical Signature Card

## Ownership Categories

(Cat.4) Irrevocable Trust Accounts



Irrevocable Trust

(Cat.7) Corporation, Partnership,  
Unincorporated Association Accounts



Corporation/Partnership/LLC  
Non-Profit

(Cat.8) Public Unit/Government  
Accounts



Government

(Cat.5) Certain Retirement  
Accounts\*



Traditional IRA

Inherited IRA

Roth IRA

Inherited Roth  
IRA

Simple IRA

Rollover IRA

SEP IRA

Keogh

**NOT AN OWNERSHIP CATEGORY-**

Deposit insurance coverage **“passes through”** the fiduciary to the actual owner, based on how the funds are held.



Fiduciary (Broker, IOLTA, UTMA, etc.)

# Six Ownership Categories Available To Individuals

**Category 1  
Single  
Accounts**

**Category 2  
Joint  
Accounts**

**Category 3  
Revocable  
Trust  
Accounts**

**Category 4  
Irrevocable  
Trust  
Accounts**

**Category 5  
Certain  
Retirement  
Accounts**

**Category 6  
Employee  
Benefit  
Plan Accounts**

# Category 1 – Single Accounts

A **Single Account** represents funds:

- Owned by one natural person and where no beneficiaries are named.

## □ Examples of Single Accounts:

- Funds owned by a Sole Proprietorship or DBA (not insured as Category 7 – Business/Organization accounts);
- Accounts established for a **deceased person** (not insured as Category 3 – Revocable Trust accounts).

# Category 1 – Single Account Coverage

## ❑ Coverage:

- Up to \$250,000 for all Category 1 – Single Account deposits.
- All Category 1 – Single Accounts owned by the same depositor at the same bank are added together and insured up to \$250,000.

## Remember!

- ❑ If a depositor designates an account as “*payable on death*” and names *beneficiaries*, the deposit will NOT be insured as a Category 1 – Single Account, (*deposits that designate beneficiaries, are insured under Category 3 – Revocable Trust Accounts*).
- ❑ Category 1 – Single Account is the default category for depositors who do not meet the requirements of another category.

# Category 1 – Single Account Example

<b>Account Title</b>	<b>Deposit Types</b>	<b>Balance</b>
Jane Smith	Savings	\$15,000
Jane Smith	CD (6 month maturity)	\$20,000
Jane Smith	CD (2 year maturity)	\$200,000
Jane Smith	MMDA	\$25,000
<b>Total</b>		<b>\$260,000</b>
<b>Amount Insured</b>		<b>\$250,000</b>
<b>Amount Uninsured</b>		<b>\$10,000</b>

# Category 1 – Single Account Example

<b>Deposit Types</b>	<b>Balance</b>
Savings	\$15,000
CD (6 month maturity)	\$20,000
CD (2 year maturity)	\$200,000
MMDA	\$25,000
<b>Total</b>	<b>\$260,000</b>
<b>Amount Insured</b>	<b>\$250,000</b>
<b>Amount Uninsured</b>	<b>\$10,000</b>

# Category 2 – Joint Accounts

**Joint Accounts** represent funds owned by two or more depositors.

❑ **Requirements:**

- Depositors must be natural persons.



- ❖ Corporations, partnerships, associations, trusts and estates are not eligible for Category 2 – Joint Account coverage.

# Category 2 – Joint Accounts

## Requirements:

- Each co-owner must sign the signature card.
  - The signature card requirement can be satisfied by information contained in a bank’s deposit account records, such as evidence that the institution has issued a mechanism for accessing the account to each co-owner or evidence that each co-owner has used the deposit account.\*

## Exceptions to the signature requirement under this rule:

- a negotiable instrument
- a CD account
- an account established by a broker or an agent

\*In July 2019, the FDIC issued a [final rule](#) concerning the signature card requirement for joint accounts. The information in this presentation reflects the amended regulations.

SIGNATURE CARD FOR DEPOSIT ACCOUNTS	
Account Title	
Account Number	
TIN of First Name on Account or Legal Entity	
Signature <b>X</b>	Title
Printed Name	Date
Signature <b>X</b>	Title
Printed Name	Date
ACCOUNT DESCRIPTION	ACCOUNT BENEFICIARIES
<input type="checkbox"/> Personal Account <input type="checkbox"/> Non-Personal Account	Name of Beneficiary
<input type="checkbox"/> Individual / Single <input type="checkbox"/> Estate <input checked="" type="checkbox"/> Individual Unincorporated (e.g. DBA) <input type="checkbox"/> Joint With Survivorship <input type="checkbox"/> Joint No Survivorship <input type="checkbox"/> POD / ITF / Totten <input type="checkbox"/> Revocable Trust <input type="checkbox"/> Irrevocable Trust <input type="checkbox"/> Corporation / Partnership / LLC <input type="checkbox"/> Non-Profit <input type="checkbox"/> Government	Name of Beneficiary
<input type="checkbox"/> Fiduciary	Name of Beneficiary
	POWER OF ATTORNEY (POA)
	Signature of Agent
	Printed Name of Agent
	Signature of Account Owner
	Date

# Category 2 – Joint Accounts

## ❑ Requirements:

- Each co-owner must sign the signature card.
- Signatures do not have to be on paper or in ink.
- The Electronic Signatures in Global and National Commerce Act (E-Sign Act), allows the use of electronic records.
- The FDIC amended the joint account rules to state expressly that the signature card requirement may be satisfied electronically.

**NOTE:** In July 2019, the FDIC issued a [final rule](#) concerning the signature card requirement for joint accounts. The information in this presentation reflects amended regulations.

SIGNATURE CARD FOR DEPOSIT ACCOUNTS	
Account Title	
Account Number	
TIN of First Name on Account or Legal Entity	
Signature <b>X</b>	Title
Printed Name	Date
Signature <b>X</b>	Title
Printed Name	Date
ACCOUNT DESCRIPTION	ACCOUNT BENEFICIARIES
<input type="checkbox"/> Personal Account	Name of Beneficiary
<input type="checkbox"/> Non-Personal Account	Name of Beneficiary
	Name of Beneficiary
<input type="checkbox"/> Individual / Single	
<input type="checkbox"/> Estate	
<input checked="" type="checkbox"/> Individual Unincorporated (e.g. DBA)	
<input type="checkbox"/> Joint With Survivorship	
<input type="checkbox"/> Joint No Survivorship	
<input checked="" type="checkbox"/> POD / ITF / Totten	
<input type="checkbox"/> Revocable Trust	
<input type="checkbox"/> Irrevocable Trust	
<input type="checkbox"/> Corporation / Partnership / LLC	
<input type="checkbox"/> Non-Profit	
<input type="checkbox"/> Government	
<input type="checkbox"/> Fiduciary	
	POWER OF ATTORNEY (POA)
	Signature of Agent
	Printed Name of Agent
	Signature of Account Owner
	Date

# Category 2 – Joint Accounts

## ❑ Requirements:

- Each co-owner must have the same withdrawal rights as the other co-owner(s).
  - ❖ Be aware of restrictions when adding minors as co-owners.

## ❑ If an account does not meet the requirements of a joint account, there would be reversion to the Category—1 Single Account.

**Note:** FDIC assumes ownership of a joint account is equal unless otherwise stated in the bank's records.

# Category 2 – Joint Accounts

## ❑ Coverage:

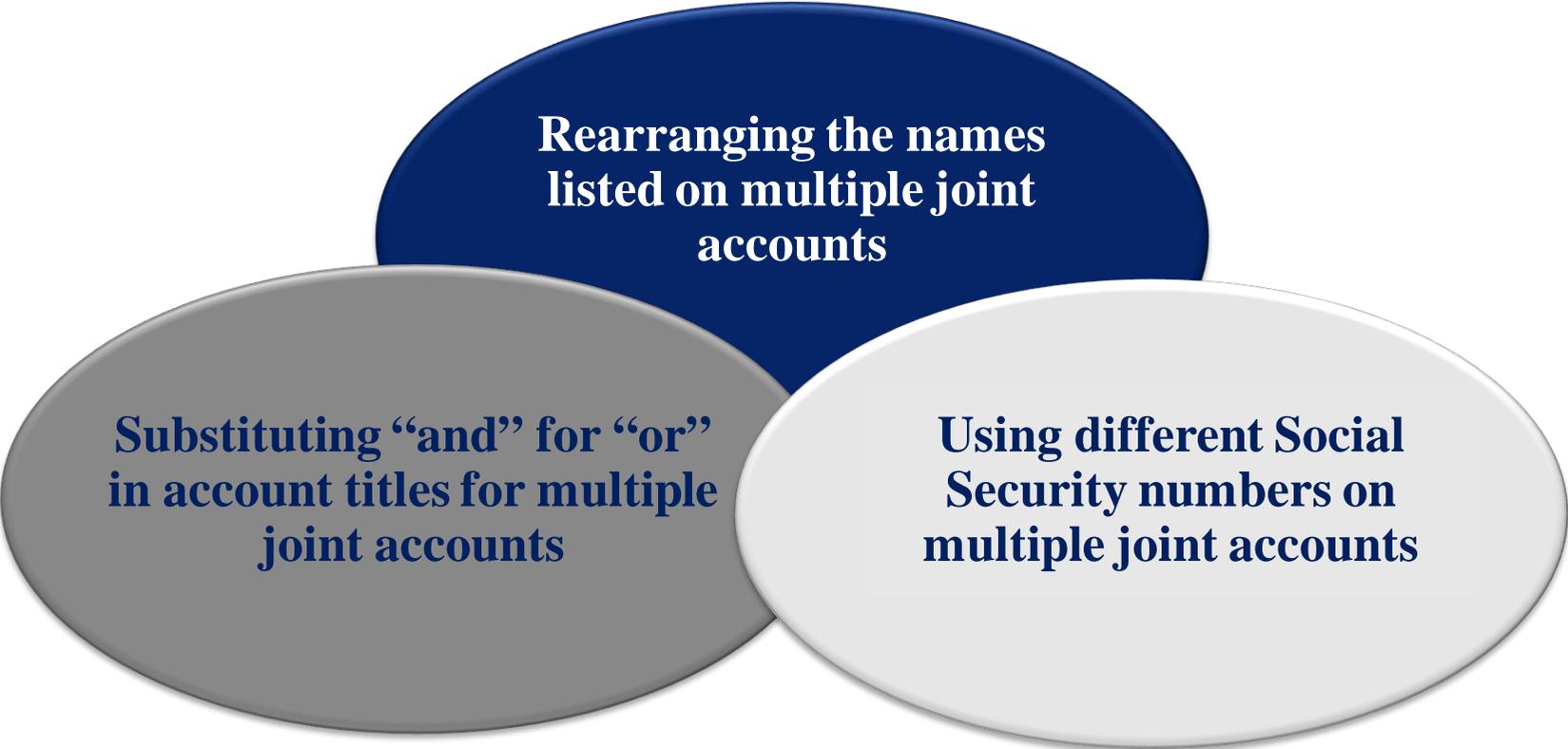
- Up to \$250,000 for each owner's share of all Category 2 – Joint Account deposits at the same bank.
- If a depositor establishes multiple joint accounts, the owner's shares in all joint accounts are added together and insured up to \$250,000.

## Remember!

- ❑ Adding a name to a joint account for convenience purposes may limit equal withdrawal rights and result in the account being insured as a Category 1 – Single Account.
- ❑ If two or more depositors designate an account as “*payable on death*” and name *beneficiaries*, the deposit will be analyzed as a Category 3 – Revocable Trust Account.

# Category 2 – Joint Accounts

Deposit insurance coverage for joint accounts is **NOT** increased by:



Rearranging the names  
listed on multiple joint  
accounts

Substituting “and” for “or”  
in account titles for multiple  
joint accounts

Using different Social  
Security numbers on  
multiple joint accounts

# Category 2 – Multiple Joint Accounts Example

<b>Account</b>	<b>Account Title</b>	<b>Balance</b>
Account 1	Jane Smith and Andrew Smith	\$400,000
Account 2	Jane Smith and Harry Jones	\$200,000
<b>Total</b>		<b>\$600,000</b>

**Are all of the owners fully insured?**

# Multiple Joint Accounts Example - EDIE

## Step 2

### Read Your Report

Bank Name : My Bank

Number of Accounts: 2

 **ATTENTION:** EDIE estimates that some of your money in this financial institution exceeds FDIC limits and is currently uninsured. It is important to be familiar with your FDIC coverage limits -- you should use EDIE everytime you make changes to your accounts to make sure your deposits are always fully insured.

### Joint Accounts

	Account Nickname	Balance	Owner(s)	Beneficiaries
<a href="#">Edit</a> <a href="#">Delete</a>	CD	\$400,000.00	Jane Andrew	NA
<a href="#">Edit</a> <a href="#">Delete</a>	Savings	\$200,000.00	Jane Harry	NA

Insurance Summary	Balance	Insured	Uninsured
Jane Joint	\$300,000.00	\$250,000.00	\$50,000.00
Andrew Joint	\$200,000.00	\$200,000.00	\$0.00
Harry Joint	\$100,000.00	\$100,000.00	\$0.00

### Total for all accounts at My Bank (Totals will be rounded)

Balance	Insured	Uninsured
\$600,000.00	\$550,000.00	\$50,000.00

# Category 2 – Multiple Joint Accounts Example

<b>Account</b>	<b>Jane's Interest</b>	<b>Andrew's Interest</b>	<b>Harry's Interest</b>	<b>Total</b>
Account 1	\$200,000	\$200,000	\$0	\$400,000
Account 2	\$100,000	\$0	\$100,000	\$200,000
<b>Total</b>	<b>\$300,000</b>	<b>\$200,000</b>	<b>\$100,000</b>	<b>\$600,000</b>
<b>Amount Insured</b>	<b>\$250,000</b>	<b>\$200,000</b>	<b>\$100,000</b>	<b>\$550,000</b>
<b>Amount Uninsured</b>	<b>\$50,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$50,000</b>

# Category 2 – Joint Account Coverage

## Death of an Account Owner

- ❑ Example: John and Jane Smith opened a joint account for \$500,000 on January 1, 2013. John dies on March 31, 2013. What is the deposit insurance coverage for the account?
  
- ❑ *Six Month Rule Applies:*
  - For six months after John's death, the account will be insured for \$500,000 as though John was still living.
  
- ❑ After the six-month grace period, beginning October 1, 2013, assuming the account has not been restructured and Jane does not have any other single accounts at that bank, she would be insured for \$250,000 in her Category 1 – Single Account and uninsured for \$250,000.

# Category 3 – Revocable Trust Accounts

A **Revocable Trust Account** is a deposit where the owner indicates an intention that the funds will belong to one or more named beneficiaries upon the last owner's death.

- ❑ In a Revocable Trust, the owner retains the right to change beneficiaries and/or allocations or to terminate the trust.
- ❑ The FDIC recognizes two types of revocable trusts:
  - Informal revocable trusts
  - Formal revocable trusts

# Category 3 – Revocable Trust Accounts

Seven questions that must be answered before you can determine FDIC insurance coverage for a revocable trust account are:

1. Who are the owners of the trust account?
2. Who are the primary unique beneficiaries upon the death of the owner(s)?
3. Are the primary unique beneficiaries “eligible”?
4. Are the primary unique beneficiaries identified in the bank’s deposit account records (for informal trusts) or in the trust agreement (for formal trusts) alive at the time a bank fails?
5. What is the dollar amount or percentage interest each owner has allocated to each primary unique beneficiary?
6. Does the owner(s) have any other revocable trust accounts in the same bank?
7. Are the revocable trust accounts properly titled?

For a detailed discussion, please review the video available at: <https://youtu.be/pUYZRPpTfVo>

# Category 3 – Revocable Trust Beneficiaries

## ❑ Who or what can be a beneficiary?

### ➤ The beneficiary must be an eligible beneficiary as defined below:

- ❖ A natural person (living),
- ❖ A charity (must be valid under IRS rules) or
- ❖ A non-profit organization (must be valid under IRS rules).

### ➤ An eligible beneficiary is any natural person.

- ❖ There is no kinship requirement.

# Category 3 – Revocable Trust Account Titling

**For revocable trust accounts, the trust relationship must exist in the account title.**

- ❑ For formal revocable trusts, the accounts can be titled in the name of the trust or by simply having the word “trust” in the title.
- ❑ For informal revocable trust accounts, commonly accepted terms such as “payable-on-death”, “in trust for” and “as trustee for” must appear in the account title.

# Category 3 – Revocable Trust Account Titling

- ❑ The FDIC will recognize an account as a revocable trust account provided the bank's electronic deposit account records identify the deposit as a POD account.
- ❑ For instance, this designation can be made using a code in the bank's electronic deposit account records.
- ❑ The electronic deposit account records of the bank must convey testamentary intent. A code with a POD or ITF designation would meet the requirements under the rule.

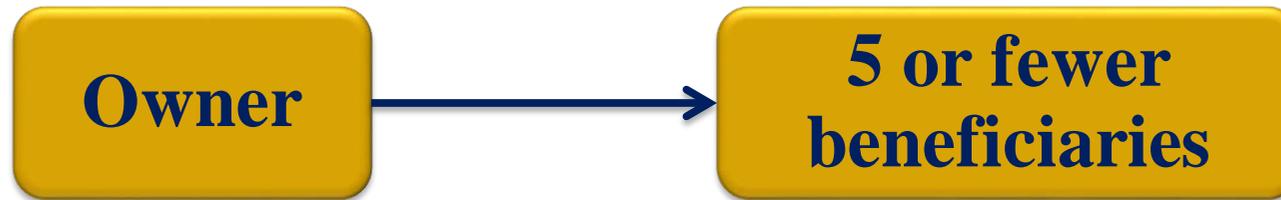
**Bank of Anytown, USA**

SOURCE ACCOUNT DETAILS	
From Account:*	Savings Account <input type="button" value="v"/> <input type="button" value="View Account Details"/>
BENEFICIARY DETAILS	
To Account: *	<input checked="" type="radio"/> <b>POD / ITF</b>
Name	<input type="text"/>
Address	<input type="text"/>
Email	<input type="text"/>
Telephone	<input type="text"/>

*Sample only*

# Category 3 – Five or Fewer Beneficiaries

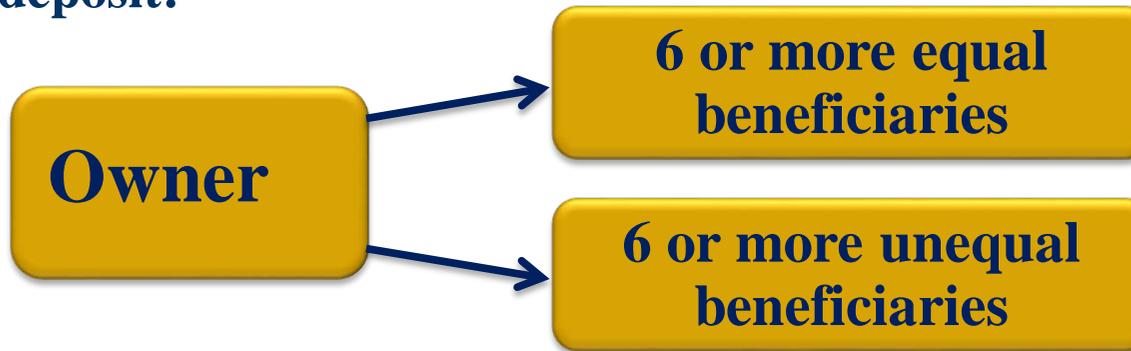
Coverage depends on the number of beneficiaries named by an owner and the amount of the deposit:



- ❑ If the owner names five or fewer unique eligible beneficiaries, then the deposit insurance coverage is:
  - Up to \$250,000 multiplied by the number of unique eligible beneficiaries named by the owner. This applies to the combined interests for all beneficiaries the owner has named in all (both informal and formal) revocable trust deposits.
  - The result is the same as above even if the owner has allocated different or unequal percentages or amounts to multiple beneficiaries. To calculate the deposit insurance coverage, multiply \$250,000 by the number of owners multiplied by the number of unique eligible beneficiaries.

# Category 3 – Six or More Beneficiaries

Coverage depends on the number of beneficiaries named by an owner and the amount of the deposit:



- ❑ If the owner names six or more unique eligible beneficiaries:
  - With six or more unique eligible beneficiaries where the allocation to each and every beneficiary is **equal**, the deposit insurance coverage is \$250,000 multiplied by the number of unique eligible beneficiaries.
  - With six or more unique eligible beneficiaries with **unequal** percentages or dollar amount allocations to the beneficiaries, the deposit insurance coverage is at least \$1,250,000.

**Note:** For any questions, please call the FDIC at 1-877-275-3342 or view the FDIC's Seminar on Revocable Trust Accounts at the following link: <https://youtu.be/pUYZRPpTfVo>

# Category 3 – Revocable Trust Accounts

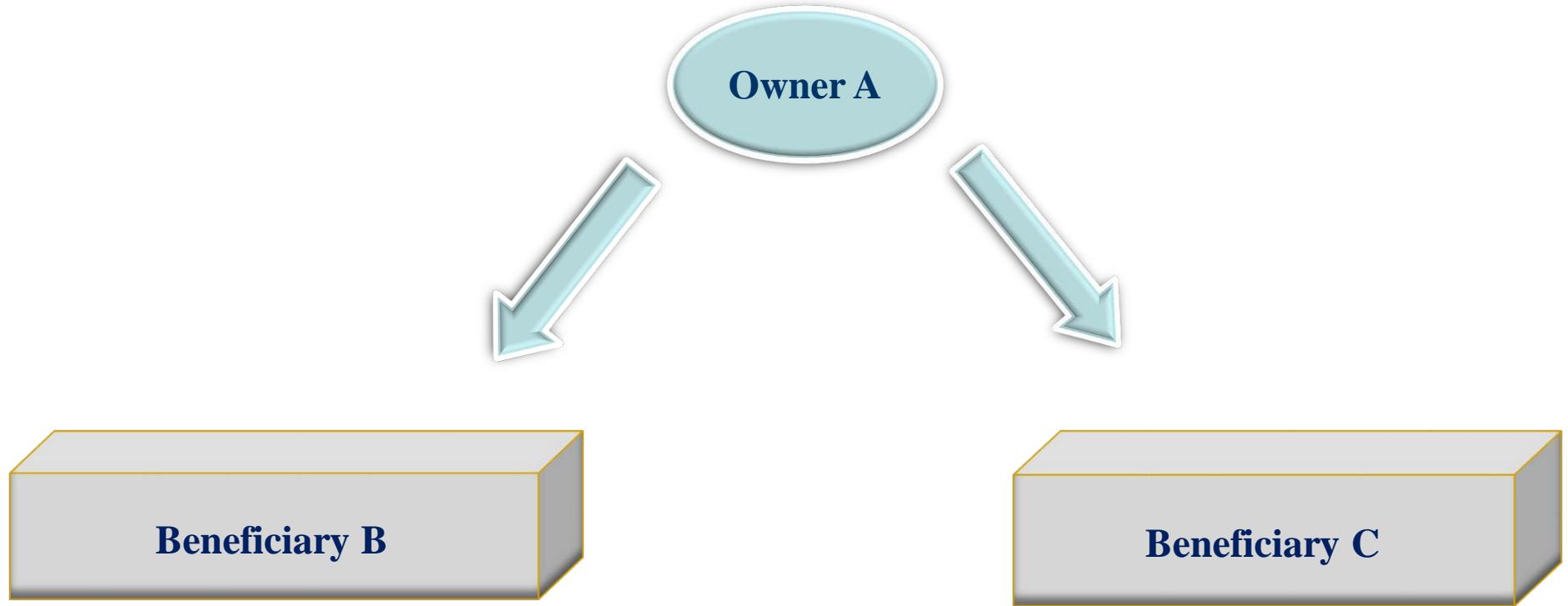
**What is the deposit insurance coverage for a POD account with one owner and one beneficiary?**

- ❑ *There is a **misconception** that deposit insurance is determined by counting or adding the total number of owners and beneficiaries listed on a POD account. **This is incorrect!***

**Example: John POD Lisa**

- ❑ What is the maximum amount that can be insured for this deposit?
  - For five or fewer beneficiaries, deposit insurance coverage is determined by using the following formula:
    - ❖ Number of owners multiplied by the number of beneficiaries multiplied by \$250,000 = deposit insurance coverage.
  - There is one owner (John) and there is one beneficiary (Lisa).
    - ❖  $1 \text{ owner} \times 1 \text{ beneficiary} \times \$250,000 = \$250,000$ .
    - ❖ The maximum deposit insurance coverage is \$250,000, NOT \$500,000.

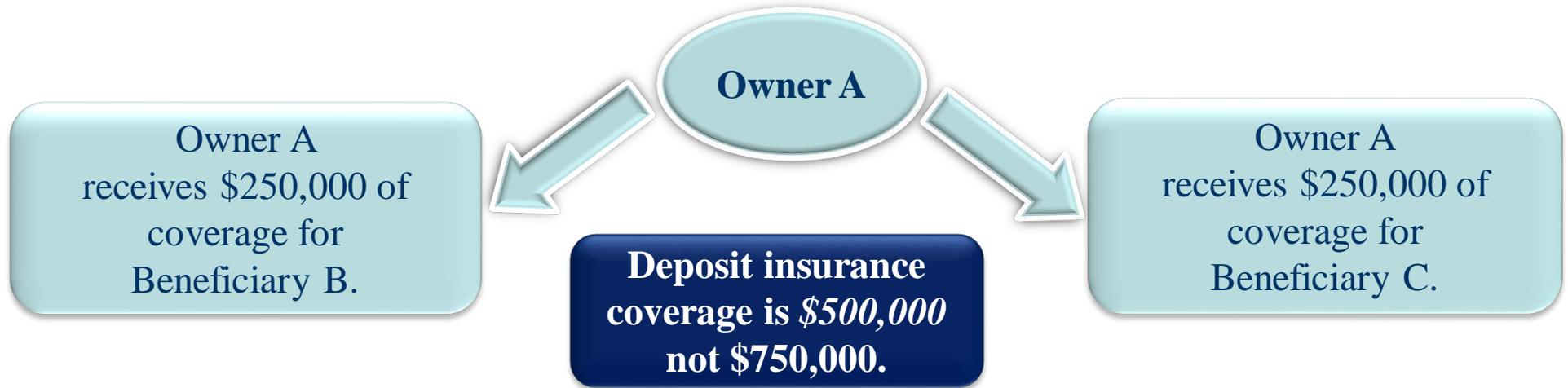
# Category 3 – Revocable Trust Accounts



**Owner A has opened a POD account where he has identified B and C as his beneficiaries.**

**What is the maximum amount that can be insured?**

# Category 3 – Revocable Trust Accounts



This example illustrates the misconception that each person on the POD account is entitled to \$250,000. We refer to this as the “counting heads” method.

**It is incorrect!**

Deposit insurance coverage is based on one owner and two unique beneficiaries. To determine coverage, we use the following formula:

$$1 \text{ owner} \times 2 \text{ beneficiaries} \times \$250,000 = \$500,000$$

# Category 3 – Revocable Trust Accounts Example

**What is the deposit insurance coverage when an owner identifies the same beneficiaries on multiple POD accounts?**

- ❑ *Coverage is based on the number of unique beneficiaries named by an owner. While a beneficiary can be named on multiple accounts by an owner, FDIC will only recognize the beneficiary once in applying the insurance coverage.*

➤ **Example: John opens three POD accounts:**

<b>Account</b>	<b>Owner</b>	<b>Title</b>	<b>Beneficiary</b>
Account 1	John	POD	Alice
Account 2	John	POD	Betty & Alice
Account 3	John	POD	Cindy & Betty

**What is the maximum amount that can be insured for John's deposits?**

# Category 3 – Revocable Trust Accounts Example

➤ **Deposit insurance coverage formula** = the number of owners multiplied by the number of *unique* beneficiaries multiplied by \$250,000.

❖ **1 owner x 3 beneficiaries x \$250,000 = \$750,000.**

<b>John's Beneficiaries</b>	<b>Distribution of Beneficiaries</b>			<b>Unique Beneficiaries</b>
Account 1 – Alice	Alice			
Account 2 – Betty & Alice	Alice	Betty		
Account 3 – Betty & Cindy		Betty	Cindy	
<b>Total</b>	<b>Alice</b>	<b>Betty</b>	<b>Cindy</b>	<b>3</b>

The maximum deposit insurance coverage for these POD accounts is \$750,000, NOT \$1,250,000.

# Category 4 – Irrevocable Trust Accounts

- ❑ For the purpose of FDIC deposit insurance coverage, irrevocable means that the grantor (person who created the trust) does not possess the power to terminate or revoke the trust.
  
- ❑ **An Irrevocable Trust may be created through:**
  - Death of the grantor of a revocable living trust.
  - Execution or creation of an irrevocable trust agreement.
  - Statute or court order.
  
- ❑ **Coverage:**
  - ❑ An Irrevocable Trust Account is usually insured for a maximum of up to \$250,000.

# Category 4 – Irrevocable Trust Accounts

To determine the maximum deposit insurance coverage for an **Irrevocable Trust Account**, consider the following:

**1. Grantor Retained Interest:**

- Insured up to \$250,000 as the grantor's Category 1 – Single Account deposits along with any other single accounts owned by the grantor.

**2. Contingent Beneficial Interests:**

- All such interests are added together and insured up to \$250,000.
- Contingency examples include:
  - ❖ Beneficiaries do not receive funds unless certain conditions are met
  - ❖ Trustee may invade principal of the trust on behalf of another beneficiary
  - ❖ Trustee may exercise discretion in allocating funds

**3. Non-contingent Beneficial Interests:**

- Coverage for each beneficial interest would be up to \$250,000.

# Category 5 – Certain Retirement Accounts

In a **Certain Retirement Account**, deposits are owned by only one participant.

## ❑ Requirements:

- Must be self-directed (except for Section 457 Plans).
  - ❖ The owner of the plan, **not an administrator**, has the right to direct how the funds are invested, including the ability to direct that the funds be deposited at a specific bank.
- Account must be titled in the name of the owner's self-directed retirement plan.

## ❑ Coverage:

- \$250,000 for all deposits in Category 5 – Certain Retirement Accounts.

# Category 5 – Certain Retirement Accounts

## Types of accounts insured under this category include:

Traditional and Roth IRAs  
(IRAs in non-deposit products are not insured)

Savings Incentive Match Plan for Employees  
(SIMPLE) IRAs

Simplified Employee Pension (SEP) IRAs

Section 457 deferred compensation plans  
(whether or not self-directed)

Self-directed defined  
contribution plans

Self-directed Keogh plans

### Remember!

- ❑ For deposits under this category such as IRAs, deposit insurance coverage does NOT increase by adding beneficiaries.
- ❑ All “defined benefit plans” are excluded from this category but included under Category 6 – Employee Benefit Plan Accounts.

# Category 6 – Employee Benefit Plan Accounts

**Employee Benefit Plan Accounts** are deposits held by any plan that satisfies the definition of an employee benefit plan in section 3(3) of the Employee Retirement Income Security Act of 1974 (“ERISA”), except for those plans that qualify under Category 5 – Certain Retirement Accounts.

## ☐ **Requirements:**

- Account title must indicate the existence of an employee benefit plan.
- Plan administrator must be prepared to produce copies of the plan documents.

## ☐ **Coverage:**

- **\$250,000 for each participant’s non-contingent interest\*.**

\***Non-contingent interest** means an interest that can be determined without evaluation of a contingency other than life expectancy.

# Category 6 – Employee Benefit Plan Accounts

## Types of accounts insured under this category include:

- ❑ Defined contribution plans, including profit-sharing plans and 401(k) plans that do NOT qualify as “self-directed” plans;
- ❑ All defined benefit plans.

# Category 6 – Employee Benefit Plan Accounts Example

## The Pet Vet Clinic Defined Benefit Plan

<b>Plan Participants</b>	<b>Share of Plan</b>
Dr. Todd	40%
Dr. Jones	30%
Tech Barnes	10%
Tech Evans	10%
Tech Cassidy	10%
<b>Plan Totals</b>	<b>100%</b>

**Note:** Assume the actuary for the plan has determined these percentages represent the non-contingent share for each participant. The value of an employee's non-contingent interest in a defined benefit plan shall be deemed to be the present value of the employee's interest in the plan, evaluated in accordance with the method of calculation ordinarily used under such plan, as of the date of the bank failure.

# Category 6 – Employee Benefit Plan Accounts Example

**What is the maximum amount that can be deposited for this plan with 100% of the deposit fully insured?**

Maximum Coverage Per Participant	<b>\$ 250,000</b>
Divided by	<b>÷</b>
Largest participant interest	<b>.40 (Dr. Todd)</b>
Maximum deposit insurance amount eligible for full insurance coverage	<b>= \$ 625,000</b>

# Category 6 – Employee Benefit Plan Accounts Example

Account Title The Pet Vet Clinic Defined Benefit Plan			Account Balance \$ 625,000	
Plan Participants	Share of Plan Multiplied by Maximum Insured Amount = Share of Deposit	Amount Insured	Amount Uninsured	
Dr. Todd	40% x \$625,000 = \$250,000	\$250,000	\$0	
Dr. Jones	30% x \$625,000 = \$187,500	\$187,500	\$0	
Tech Barnes	10% x \$625,000 = \$ 62,500	\$62,500	\$0	
Tech Cassidy	10% x \$625,000 = \$ 62,500	\$62,500	\$0	
Tech Evans	10% x \$625,000 = \$ 62,500	\$62,500	\$0	
<b>Total</b>	<b>100%</b>	<b>\$625,000</b>	<b>\$0</b>	

# Category 7 – Business/Organization Accounts

**Business/Organization Accounts** represent funds owned by a business or an organization.

## ❑ Requirements:

➤ Based on state law, the business/organization must be a legally created entity:

- ❖ Corporation (includes Subchapter S, LLCs, and PCs)
- ❖ Partnership
- ❖ Unincorporated Association

➤ The business/organization must be engaged in an independent activity\* which is generally supported by:

- ❖ Separate tax identification numbers
- ❖ Separate charter or bylaws

\* Independent activity means the entity was formed for a business reason and not solely to increase deposit insurance coverage.

# Category 7 – Business/Organization Accounts

## □ Coverage:

- \$250,000 per legal entity, engaged in an independent activity.

## **Remember!**

- The existence of multiple signers such as partners, officers or directors does not increase coverage.
- A separate business purpose for funds owned by the same legal entity does not increase coverage.

# Category 8 – Government Accounts

**Government Accounts** are funds placed by an official custodian of a government entity, including a federal, state, county, municipal entity, or political subdivision.

- ❑ For Category 8 – Government Accounts, the insured party is the “official custodian” – an appointed or elected official who has “plenary authority” over funds in the account owned by the public unit.
- ❑ “*Plenary authority*” includes possession, as well as the authority to establish accounts for such funds in banks and to make deposits, withdrawals, and disbursements of such funds.

**Note:** Please be careful not to assume that all of the “signers” on a government account qualify as official custodians. For the purpose of internal control, a government account might have three signers on an account, with the requirement that two out of three signers must authorize a transaction to withdraw funds. In this situation, the FDIC finds there is one official custodian.

# Category 8 – Government Accounts

**By law, each of these government entities is eligible for deposit insurance coverage:**

- United States**
- States**
- Counties**
- Municipalities**
- District of Columbia**
- Puerto Rico**
- Other territories**
- Indian tribes**
- School districts**
- Power districts**
- Irrigation districts**
- Bridge or port authorities**
- Other “political subdivisions”**

# Category 8 – Government Accounts

## □ Coverage:

- Funds held by an official custodian of a government entity are insured as follows:
  - Accounts held in an in-state bank
    - ❖ Up to \$250,000 for the combined amount of all time and savings accounts (including NOW accounts) and
    - ❖ Up to \$250,000 for all demand deposit accounts (interest-bearing and noninterest-bearing)
  - Accounts held in an out-of-state bank
    - ❖ Up to \$250,000 for the combined total of all deposit accounts

# Government Accounts Fact Sheet



**Federal Deposit Insurance Corporation**  
Each depositor insured to at least \$250,000 per insured bank



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## Deposit Insurance for Accounts Held by Government Depositors

Section 330.15 of the FDIC's regulations (12 C.F.R. 330.15) governs the insurance coverage of public unit accounts. For deposit insurance purposes, the term "public unit" includes a state, county, municipality, or any "political subdivision" of the public unit. Under section 330.15, the "official custodian" of the funds belonging to the public unit - rather than the public unit itself - is insured as the depositor.

### Permanent Rule

The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. For the purpose of these rules, the term 'time and savings deposits' includes NOW accounts and money market deposit accounts but does not include interest-bearing demand deposit accounts (which were permitted after July 21, 2011). The term 'demand deposits' means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal. The insurance coverage of accounts held by government depositors is different if the depository institution is located outside the State in which the public unit is located. In that case, all deposits, both time and savings deposits and demand deposits, owned by the public unit and held by the public unit's official custodian are added together and insured up to \$250,000. Time and savings deposits are not insured separately from demand deposits.

As mentioned above, a political subdivision (through its official custodian) is entitled to its own insurance coverage. The term "political subdivision" is defined to include drainage, irrigation, navigation, improvement, levee, sanitary, school or power districts, and bridge or port authorities and other special districts created by state statute or compacts between the states. The term "political subdivision" also includes 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.

The term "political subdivision" does not include subordinated or non-autonomous divisions, agencies, or boards within subdivisions or principal departments.

<https://www.fdic.gov/deposit/deposits/factsheet.html>

# Category 9 – Mortgage Servicing Accounts

**Mortgage Servicing Accounts** are established by mortgage servicers and represent commingled principal and interest payments received from mortgagors (also known as “borrowers”).

## ❑ Coverage:

- *Based on the borrowers’ payments* of principal and interest into the mortgage servicing account.
- Provided to the mortgage servicer on behalf of the mortgagees.
- Up to \$250,000 per borrower.
- These funds will not be aggregated with other deposit accounts that the borrowers or mortgagees may maintain at the same bank.

# Category 9 – Mortgage Servicing Accounts

**A typical mortgage payment received by a mortgage servicer could be insured under different deposit insurance categories as described below:**

<b>Payment Type</b>	<b>Insured Owner</b>	<b>Insurance Category</b>
The Principal & Interest (P&I)	Mortgage Servicer	Mortgage Servicing
Borrowers' Tax & Insurance Escrow (T&I)	Borrower (Mortgagor)	Pass-through to Borrower in same ownership category as they hold title to the real estate.
Mortgage Related Fees (for example: guaranty fees, pair-off fees, extension fees and any other fees required by the Mortgagee)	Mortgagee	Pass-through to Mortgagee in the Business/Organization Accounts ownership category.

# Category 9 – Mortgage Servicing Accounts Example

## Example:

- ❑ A mortgage servicer collects from one thousand different borrowers their monthly mortgage payments of \$2,000 (P&I) and places the funds into a mortgage servicing account.
  - Is the \$2,000,000 aggregate balance of the mortgage servicer's mortgage servicing account fully insured?
  - Yes, the account is fully insured to the mortgage servicer because each mortgagor's payment of \$2,000 (P&I) is insured separately for up to \$250,000.

# Pass-Through Deposit Insurance Coverage

- ❑ Pass-through deposit insurance regulations can be found at 12 C.F.R. § 330.5 and 12 C.F.R. § 330.7 (on the FDIC's Website at: <https://www.fdic.gov/regulations/laws/rules/2000-5400.html>).
- ❑ Fiduciary or agency accounts may be entitled to receive pass-through coverage. These accounts are established and maintained by third parties on behalf of the actual owners (referred to as the principals).
- ❑ An account that meets the definition of a fiduciary or agency account is entitled to “pass-through” deposit insurance coverage from the FDIC through the third party who establishes the account to the actual owner/principal, provided certain conditions are met.

## **Important!**

**Fiduciary or agency accounts are not an ownership category!**

# Pass-Through Deposit Insurance Coverage

## Examples of Third Parties Who Establish Fiduciary Accounts

Agent

Nominee

Guardian

Conservator

Executor

Broker

## Examples of Fiduciary or Agency Accounts

Escrow

Power of Attorney

Uniform Transfer to Minors Act (UTMA)

Attorney Trust (IOLTA)

Agency

Brokered CDs

# Pass-Through Deposit Insurance Coverage

## ❑ What is “pass-through” deposit insurance coverage?

- When funds are deposited by a fiduciary or custodian on behalf of one or more actual owners of the funds, the FDIC will insure the funds as if the actual owners had established the deposit in the bank.

## ❑ What is the amount of “pass-through” deposit insurance coverage?

- Assuming the deposit meets the requirements for pass-through insurance coverage, the amount of FDIC deposit insurance coverage will be based on the ownership capacity (i.e., under the applicable ownership category) in which each principal holds the funds.

# Requirements for Pass-through Coverage

- ❑ Funds must be owned by the principal, not the third party who set up the account (i.e., the fiduciary or custodian who is placing the funds). To confirm the actual ownership of the deposit funds, the FDIC may review:
  1. The agreement between the third party and the principal and
  2. Applicable state law
- ❑ The bank's account records must indicate the agency nature of the account (e.g., XYZ Company as Custodian, XYZ FBO, Jane Doe UTMA John Smith, Jr.).
- ❑ The bank's records or accountholder's records must indicate both the principals' identities as well as their ownership interests in the deposit.
- ❑ Deposit terms (i.e., the interest rate and maturity date) for accounts opened at the bank must match the terms the third party agent promised the customer.
- ❑ If the terms don't match, the third party agent might be deemed to be the legal owner of the funds by the FDIC. An agent may retain a portion of the interest (as the agent's fee) without precluding pass-through coverage.

\***For more information**, please see FIL-29-2010: <https://www.fdic.gov/news/news/financial/2010/fil10029.pdf>

# Prepaid Cards and Deposit Insurance Coverage

- ❑ There has been an increase in the use of prepaid cards.
- ❑ These cards may be offered directly through the bank or through a third party program manager.
- ❑ In order for deposit insurance to apply to prepaid funds, the pass-through requirements must be met.
- ❑ Once the pass-through requirements are met, the actual owner of the funds, and not the custodian, is the insured party. The deposit insurance coverage will be based on the ownership category in which the funds are held.
- ❑ Deposit insurance only applies when a bank fails.
- ❑ The funds underlying the prepaid cards must be deposited in a bank.

# Prepaid Cards and Deposit Insurance Coverage



- ❑ In January 2018, the CFPB issued a final rule on prepaid accounts (effective date: April 2019).
- ❑ Under this rule, banks which offer prepaid accounts must provide disclosures regarding deposit insurance coverage.
- ❑ CFPB Bank Disclosures
  - Short Form Disclosure:
    - A statement about registration and eligibility for deposit insurance coverage.
  - Long Form Disclosure:

Register your card for FDIC insurance eligibility and other protections. Your funds will be held at or transferred to XYZ Bank, an FDIC-insured institution. Once there, your funds are insured up to \$250,000 by the FDIC in the event XYZ Bank fails, if specific deposit insurance requirements are met and your card is registered. See [fdic.gov/deposit/deposits/prepaid.html](https://www.fdic.gov/deposit/deposits/prepaid.html) for details.

No overdraft/credit feature.

Contact XYZ Bank by calling 1-800-555-5555, by mail at 555 Street Name, Anytown, NY, or visit [xyzbank.com/prepaid](https://www.xyzbank.com/prepaid).

For general information about prepaid accounts, visit [cfpb.gov/prepaid](https://www.cfpb.gov/prepaid).

If you have a complaint about a prepaid account, call the Consumer Financial Protection Bureau at 1-855-411-2372 or visit [cfpb.gov/complaint](https://www.cfpb.gov/complaint).

# Prepaid Cards and Deposit Insurance Coverage

- ❑ In the Final Rule on Prepaid Accounts, the CFPB provides that on the disclosure forms, banks include a link to an [FDIC website](#) with information on prepaid cards and deposit insurance.
- ❑ For FDIC deposit insurance purposes, determining the ownership of the funds underlying the prepaid account is critical.
- ❑ Under the CFPB Prepaid Rule, a consumer needs to register the prepaid card so that the FDIC can identify the cardholder.

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## Prepaid Cards and Deposit Insurance Coverage

[En Español](#)

A number of entities market prepaid cards that state they offer FDIC deposit insurance to cardholders. The following information is intended to help consumers better understand FDIC deposit insurance coverage for prepaid cardholders.

### When does FDIC deposit insurance apply to my prepaid card?

- The prepaid card must be registered with the card issuer so that the FDIC can identify the cardholder should the bank fail.
- FDIC deposit insurance coverage only applies when a bank fails.
- Your funds are insured by the FDIC if specific deposit insurance requirements\* are met.

### When would FDIC deposit insurance not apply to your funds?

As stated above, FDIC deposit insurance coverage applies only when a bank fails. Please remember that deposit insurance does not apply in other situations, such as where your card is lost or stolen or your card provider declares bankruptcy. However, in those situations, other legal options may be available to you to pursue recovery of your funds. These options may be discussed in your account agreement.

**\*Deposit insurance requirements:**

In order for the funds on your prepaid card to be insured, certain requirements must be met:

- the account records at the FDIC-insured bank must disclose that the prepaid card provider is serving as the custodian on behalf of the cardholders;
- the records of the FDIC-insured bank, custodian or other party must disclose the identities of the actual owners of the funds (you, the cardholder) and the amount owned by you;
- the deposits must be owned (under the agreements among the parties) by you and the other cardholders of the prepaid cards.

If these three requirements are met, your funds will be insured up to \$250,000 (together with any other funds in the same right and capacity that you (the cardholder) may have established in another deposit account in the same bank).

If you have any questions, call the FDIC at 1-877-275-3342  (877-ASK-FDIC .

# Health Savings Accounts Example

## Employee's Guide:

- ❑ Using the Employee's Guide to answer Health Savings Accounts (“HSAs”) questions:
  - What is a Health Savings Account (“HSA”)?
  - How are Health Savings Accounts (“HSAs”) insured?

# Health Savings Accounts – Employee’s Guide

## Financial Institution Employee’s Guide to Deposit Insurance

### I. Definition

A Health Savings Account (“HSA”) is a tax-exempt trust or custodial account established with a qualified HSA trustee, such as an IDI, to pay or reimburse certain medical expenses. Interest earned on an HSA is tax-free. In addition, tax-free withdrawals may be made for qualified medical expenses. Unused funds and interest are carried over, without limit, from year to year.

### II. Insurance Limit

The FDIC **does not** recognize HSAs as a unique deposit insurance category. HSAs are insured based on who owns the funds and whether beneficiaries are named in the IDI account records. These accounts could be insured under one of the following deposit insurance categories:

1. Revocable trust category
2. Single account category

<https://www.fdic.gov/deposit/diguidebankers/index.html>

# Section 529 Plans

- ❑ Qualified Tuition Savings Programs under Section 529 of the Internal Revenue Code (“529 Plans”) are state-sponsored plans which are tax-advantaged accounts that help families and individuals save for higher education expenses.
- ❑ While most states limit participants’ choices to investments such as stocks and bonds, some states allow participants to place their 529 plan money in bank deposits.
- ❑ Deposits placed in a 529 plan at a bank are insured up to \$250,000 for the owner of the funds, as determined by the state law in which the plan is created. This varies as to each state.

# Section 529A ABLER Accounts

## ❑ What are Section 529A - ABLER Accounts?

- 529A - Achieving A Better Life Experience (ABLE) accounts are a type of tax-advantaged account that an eligible individual can use to save funds for the disability-related expenses of the account's designated beneficiary.

## ❑ How are 529A accounts insured?

- The designated beneficiaries of the 529A will be insured as single accounts up to the insurance limit of \$250,000.

## ❑ Are 529A accounts aggregated with any other deposits?

- Each 529A beneficiary's deposits would be insured together with any other single ownership category deposits the beneficiary may have at that same insured depository institution up to a combined total of \$250,000.

## Part 4 – Deposit Insurance Coverage Resources

# Deposit Insurance Coverage Resources - Appendix

## 9 Most Common Deposit Insurance Categories

- ❑ **Category 1: Single accounts** (12 C.F.R. § 330.6) – Slides 34-37
- ❑ **Category 2: Joint accounts** (12 C.F.R. § 330.9) – Slides 38-47
- ❑ **Category 3: Revocable trust accounts** (12 C.F.R. § 330.10) – Slides 48-59
- ❑ **Category 4: Irrevocable trust accounts** (12 C.F.R. § 330.13) – Slides 60-61
- ❑ **Category 5: Certain retirement accounts** (12 C.F.R. § 330.14(b)(2)) – Slides 62-63
- ❑ **Category 6: Employee benefit plan accounts** (12 C.F.R. § 330.14) – Slides 64-68
- ❑ **Category 7: Business/Organization accounts** (12 C.F.R. § 330.11) – Slides 69-70
- ❑ **Category 8: Government accounts** (12 CFR § 330.15) – Slides 71-74
- ❑ **Category 9: Mortgage servicing accounts** (12 CFR § 330.7(d)) – Slides 75-77

# Deposit Insurance Coverage Resources –Appendix

## 5 Least Common DI Categories

- ❑ **Category 10: Public bonds accounts. (12 CFR § 330.15(c))** - This category consists of funds which by law or under a bond indenture are required to be set aside to discharge a debt owed to the holders of notes or bonds issued by a public unit. Deposit insurance coverage under this category is up to \$250,000 for the beneficial interest of each noteholder or bondholder provided certain requirements are met.
- ❑ **Category 11: Irrevocable trust accounts with an insured depository institution as trustee. (12 CFR § 330.12)** - This category consists of trust funds held by an insured depository institution in its capacity as trustee of an irrevocable trust. Deposit insurance coverage under this category is up to \$250,000 for each owner or beneficiary provided certain requirements are met.
- ❑ **Category 12: Annuity contract accounts. (12 CFR § 330.8)** – This category consists of funds held by an insurance company or other corporation in a deposit account for the sole purpose of funding life insurance or annuity contracts and any benefits linked to the contracts. FDIC deposit insurance under this category is up to \$250,000 per annuitant provided certain requirements are met.
- ❑ **Category 13: Custodian accounts for American Indians. (12 CFR § 330.7(e))** –This category consists of funds held on behalf of an individual American Indian deposited by the Bureau of Indian Affairs of the United States Department of the Interior in a bank. Deposit insurance coverage under this category is up to \$250,000 for the interest of each American Indian provided certain requirements are met.
- ❑ **Category 14: Accounts of an insured depository institution pursuant to the Bank Deposit Financial Assistance Program of the Department of Energy. (12 U.S.C . 1817 (i)(3))** - This category consists of funds deposited by a bank pursuant to the Bank Deposit Financial Assistance Program of the Department of Energy. Separate deposit insurance is provided up to \$250,000 for each participant in the DOE program provided certain requirements are met.

**If you have any questions regarding these categories, please call the FDIC at 1-877-ASK-FDIC.**

# Additional FDIC Seminars on YouTube

- **Fundamentals of Deposit Insurance Coverage**
  - ❖ Discussion of the nine most common deposit insurance categories
  - ❖ Available at: <https://youtu.be/OqM4uGkFCXU>
  
- **Deposit Insurance Coverage for Revocable Trust Accounts**
  - ❖ Detailed discussion for depositors with accounts in excess of \$1,250,000 and six or more beneficiaries
  - ❖ Available at: <https://youtu.be/pUYZRPpTfVo>
  
- **Advanced Topics in Deposit Insurance Coverage**
  - ❖ Health Savings Accounts
  - ❖ When Banks Merge
  - ❖ Right of Offset
  - ❖ Available at: <https://youtu.be/X3Vr7EfOG9w>

**Also available at: [www.fdic.gov/deposit/seminars.html](http://www.fdic.gov/deposit/seminars.html)**

# Deposit Insurance Question Form

**Requester Information:**

Salutation  ▾

\*Last Name

Middle Name

\*Email

\*Confirm E-mail Address

\*First Name

Phone numbers must be numeric, no dashes or parenthesis (ex:1234567890)

Home Phone

Business Phone

Mobile Phone

\*Mailing Street

Street Address, line 2

\*Mailing City

\*Mailing State/Province  ▾

\*Mailing Zip/Postal Code

Zip Ext

\*Mailing Country

Best Way to Contact  Phone  Mail  E-Mail

Best Time to Contact  Morning  Afternoon  Evening

Is this request submitted on behalf of you and another individual?  Yes  No

Last Name

First Name

Email

Phone numbers must be numeric, no dashes or parenthesis (ex:1234567890)

Home Phone

Business Phone

Mobile Phone

Same address as above?  No  Yes

Mailing Street

Type: [ask.fdic.gov/FDICDepositInsuranceForm](https://ask.fdic.gov/FDICDepositInsuranceForm) in the search box on the FDIC's homepage

**Thank you for participating in the seminar!**