Part 1 – General Principles
Since 1933, the FDIC has protected the depositors of insured depository institutions (“IDIs”) against the loss of their deposits.

No depositor has ever lost a single penny of FDIC-insured deposits.

The FDIC is backed by the Full Faith and Credit of the United States Government.
General Principles

- Depositors are insured at each IDI 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 an IDI’s failure.
**General Principles**

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

<table>
<thead>
<tr>
<th>Insured—IDI Deposits</th>
<th>Not Insured—Non-deposit Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checking Accounts</td>
<td>Stocks, Bonds, Municipal Bonds, and Other Securities</td>
</tr>
<tr>
<td>Money Market Deposit Accounts (“MMDA”)</td>
<td>Mutual Funds (money market mutual funds and stock, bond, or other security mutual funds)</td>
</tr>
<tr>
<td>Savings Accounts</td>
<td>Annuities</td>
</tr>
<tr>
<td>NOW Accounts</td>
<td>Insurance Products</td>
</tr>
<tr>
<td>Certificates of Deposit (“CDs”)</td>
<td>Safe Deposit Box Contents</td>
</tr>
</tbody>
</table>
### Basic Insurance Coverage

Coverage includes principal and interest earned up to the SMDIA.

<table>
<thead>
<tr>
<th>Jane Smith</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Amount</td>
<td>$ 248,000</td>
</tr>
<tr>
<td>Accrued Interest</td>
<td>3,000</td>
</tr>
<tr>
<td>Total</td>
<td>251,000</td>
</tr>
<tr>
<td>Insured Amount</td>
<td>$ 250,000</td>
</tr>
<tr>
<td>Uninsured Amount</td>
<td>$ 1,000</td>
</tr>
</tbody>
</table>
General Principles

 Deposit insurance coverage is provided

 Per Depositor

 Per Ownership Category

 Per IDI
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.
Coverage is provided per ownership category

- Deposits that a person or entity maintains in different ownership categories at the same IDI are separately insured up to the insurance limit.

- Deposits that a person or entity maintains in the same ownership category at the same IDI are added together and insured up to at least $250,000.
General Principles: Per IDI

Coverage is provided on a per IDI basis

- Deposits placed in the branch offices of an IDI with the same charter are added together.

- Deposits placed in separately chartered IDIs are separately insured.

- Deposits in separate branches of an IDI are not separately insured even if the branches are in different states.
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 IDIs Merge

- Basic rule – There is separate deposit insurance coverage (i.e., for deposits at each IDI) for up to six months (after the effective date of the merger) if a depositor had funds in two IDIs that merged.

- Special exception for time deposits – For time deposits (i.e., CDs) issued by the assumed IDI, 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/d5_y5RxxU4A
General Principles

Coverage When An IDI Fails

FDIC pays depositors “as soon as possible.”

- FDIC’s goal is to make deposit insurance payments within two business days after an IDI’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.
In the event of an IDI failure, the FDIC relies on IDI deposit account records to determine ownership.

Examples of IDI deposit account records may include:

- Account ledgers
- Signature cards
- CDs
- Corporate resolutions in possession of the IDI authorizing the accounts
- Other books and records of the IDI including computer records that relate to the IDI’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
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.
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 IDI as Trustee
- **Category 12**: Annuity Contract Accounts
- **Category 13**: Custodian Accounts for Native Americans
- **Category 14**: Accounts of an IDI pursuant to the Bank Deposit Financial Assistance Program of the DOE
**Hypothetical Signature Card**

### SIGNATURE CARD FOR DEPOSIT ACCOUNTS

<table>
<thead>
<tr>
<th>Account Title</th>
<th>Account Number</th>
<th>TIN of First Name on Account or Legal Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signature</td>
<td>Title</td>
<td></td>
</tr>
<tr>
<td>Printed Name</td>
<td>Date</td>
<td></td>
</tr>
</tbody>
</table>

| Printed Name | Date |

### ACCOUNT DESCRIPTION

- Personal Account
- Non-Personal Account
- Individual / Single
- Estate
- Individual Unincorporated (e.g. DBA)
- Joint With Survivorship
- Joint No Survivorship
- POD / ITF / Totten
- Revocable Trust
- Irrevocable Trust
- Corporation / Partnership / LLC
- Non-Profit
- Government
- Fiduciary

### ACCOUNT BENEFICIARIES

<table>
<thead>
<tr>
<th>Name of Beneficiary</th>
<th>Name of Beneficiary</th>
<th>Name of Beneficiary</th>
</tr>
</thead>
</table>

### POWER OF ATTORNEY (POA)

- Signature of Agent
- Printed Name of Agent
- Signature of Account Owner
- Date

### SELF DIRECTED RETIREMENT ACCOUNT ENROLLMENT

#### ACCOUNT TYPE

- Traditional IRA
- Inherited IRA
- Roth IRA
- Inherited Roth IRA
- SIMPLE IRA
- Rollover IRA
- SEP IRA
- Keogh

<table>
<thead>
<tr>
<th>Name</th>
<th>SSN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>DOB / /</td>
</tr>
<tr>
<td>Home Phone</td>
<td>Business Phone</td>
</tr>
<tr>
<td>City</td>
<td>State</td>
</tr>
</tbody>
</table>

### BENEFICIARIES

<table>
<thead>
<tr>
<th>Name and Address</th>
<th>Relationship</th>
<th>DOB</th>
<th>SSN</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 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

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

(Cat.8) Public Unit/Government Accounts

NOT AN OWNERSHIP CATEGORY—Deposit insurance coverage “passes through” the fiduciary to the actual owner, based on how the funds are held.

(Cat.5) Certain Retirement Accounts*

*Note: Self-directed defined contribution plans are included under Category 5

- Irrevocable Trust
- Corporation/Partnership/LLC Non-Profit
- Government
- Fiduciary (Broker, IOLTA, UTMA, etc.)
  - Traditional IRA
  - Roth IRA
  - Simple IRA
  - SEP IRA
  - Inherited IRA
  - Inherited Roth IRA
  - Rollover IRA
  - Keogh
Ownership Category Requirements

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:

- Accounts held by an individual (with no beneficiaries named);
- 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 IDI 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 be analyzed as a Category 3 – Revocable Trust account.
- Category 1 – Single Account is the default category for depositors who do not meet the requirements of another category.
## Category 1 – Single Account – Jane Smith

<table>
<thead>
<tr>
<th>Deposit Types</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>$125,000</td>
</tr>
<tr>
<td>CD (6 month maturity)</td>
<td>100,000</td>
</tr>
<tr>
<td>CD (2 year maturity)</td>
<td>50,000</td>
</tr>
<tr>
<td>MMDA</td>
<td>50,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$325,000</strong></td>
</tr>
</tbody>
</table>

**Insurance Coverage** $250,000

**Uninsured Amount** $75,000
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.
- Each co-owner must sign the signature card (CD and broker exceptions). Electronic signatures are acceptable.
- Each co-owner must have the same withdrawal rights as the other co-owner(s).

**Note:** FDIC assumes ownership of a joint account is equal unless otherwise stated in the IDI’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 IDI.

- 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.
Deposit insurance coverage for a joint account 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

<table>
<thead>
<tr>
<th>Account</th>
<th>Account Title</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td># 1</td>
<td>Jane Smith and Andrew Smith</td>
<td>$ 400,000</td>
</tr>
<tr>
<td># 2</td>
<td>Jane Smith and Harry Jones</td>
<td>$ 200,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$ 600,000</td>
</tr>
</tbody>
</table>

Are all of the owners fully insured?
## Category 2 – Multiple Joint Accounts - Example

<table>
<thead>
<tr>
<th></th>
<th>Jane’s Interest</th>
<th>Andrew’s Interest</th>
<th>Harry’s Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Account 1</strong></td>
<td>$200,000</td>
<td>$200,000</td>
<td>$0</td>
<td>$400,000</td>
</tr>
<tr>
<td><strong>Account 2</strong></td>
<td>$100,000</td>
<td>$0</td>
<td>$100,000</td>
<td>$200,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$300,000</td>
<td>$200,000</td>
<td>$100,000</td>
<td>$600,000</td>
</tr>
<tr>
<td><strong>Insured</strong></td>
<td>$250,000</td>
<td>$200,000</td>
<td>$100,000</td>
<td>$550,000</td>
</tr>
<tr>
<td><strong>Uninsured</strong></td>
<td>$ 50,000</td>
<td>$0</td>
<td>$0</td>
<td>$ 50,000</td>
</tr>
</tbody>
</table>
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 IDI, 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 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 now any natural person. There is no longer a kinship requirement.
For revocable trust accounts, the trust relationship must exist in the account 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.

- For purposes of this rule, “account title” includes the electronic deposit account records of the bank.

- The FDIC will recognize the 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.
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 times 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 times the number of unique eligible beneficiaries.

Note: The maximum insurable amount for five or fewer beneficiaries is $1,250,000.
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 times 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. 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/tX-NjT1wUgk

**Note:** The minimum insurable amount for six or more beneficiaries with unequal interests is $1,250,000.
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 times the number of beneficiaries times $250,000 = deposit insurance coverage
  - There is one owner of this POD (John) and there is one beneficiary on this POD (Lisa).
    - 1 owner x 1 beneficiary x $250,000 = $250,000.
    - The maximum deposit insurance coverage for this POD is $250,000, NOT $500,000.
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?
Deposit insurance coverage is based on one owner and two unique beneficiaries. To determine coverage, we use the following formula:

1 owner x 2 beneficiaries x $250,000 = $500,000

This example illustrates the misconception that each person on the POD is entitled to $250,000. We refer to this as the “counting heads” method. It is incorrect!
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 deposit insurance coverage formula (the number of owners times the number of beneficiaries times $250,000 equals the total amount of deposit insurance coverage).

Example 6: John opens three POD accounts:
- Account 1 – John POD Alice
- Account 2 – John POD Betty and Alice
- Account 3 – John POD Cindy and Betty

What is the maximum amount that can be insured for these deposits?
- Although five names are listed as beneficiaries, there are only three unique beneficiaries, Alice, Betty and Cindy.
- Deposit insurance coverage = the number of owners times the number of beneficiaries times $250,000.
  - 1 owner x 3 beneficiaries x $250,000 = $750,000. 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.
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 IDI.
  - 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:

<table>
<thead>
<tr>
<th>Traditional and Roth IRAs (IRAs in non-deposit products are not insured)</th>
<th>Section 457 deferred compensation plans (whether or not self-directed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings Incentive Match Plan for Employees (SIMPLE) IRAs</td>
<td>Self-directed defined contribution plans</td>
</tr>
<tr>
<td>Simplified Employee Pension (SEP) IRAs</td>
<td>Self-directed Keogh plans</td>
</tr>
</tbody>
</table>

**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.
**Example: Account Title—The Pet Vet Clinic Defined Benefit Plan**

<table>
<thead>
<tr>
<th>Plan Participants</th>
<th>Share of Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Todd</td>
<td>40%</td>
</tr>
<tr>
<td>Dr. Jones</td>
<td>30%</td>
</tr>
<tr>
<td>Tech Barnes</td>
<td>10%</td>
</tr>
<tr>
<td>Tech Evans</td>
<td>10%</td>
</tr>
<tr>
<td>Tech Cassidy</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Plan Totals</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

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

Maximum Coverage Per Participant $250,000

Divided by 

Largest participant interest .40 (Dr. Todd)

Maximum deposit insurance amount eligible for full insurance coverage $625,000
# Category 6 – Employee Benefit Plan Accounts

<table>
<thead>
<tr>
<th>Account Title</th>
<th>Account Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Pet Vet Clinic Defined Benefit Plan</td>
<td>$625,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Plan Participants</th>
<th>Share of Plan Multiplied by Maximum Insured Amount = Share of Deposit</th>
<th>Amount Insured</th>
<th>Amount Uninsured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Todd</td>
<td>40% x $625,000 = $250,000</td>
<td>$250,000</td>
<td>$0</td>
</tr>
<tr>
<td>Dr. Jones</td>
<td>30% x $625,000 = 187,500</td>
<td>187,500</td>
<td>0</td>
</tr>
<tr>
<td>Tech Barnes</td>
<td>10% x $625,000 = 62,500</td>
<td>62,500</td>
<td>0</td>
</tr>
<tr>
<td>Tech Cassidy</td>
<td>10% x $625,000 = 62,500</td>
<td>62,500</td>
<td>0</td>
</tr>
<tr>
<td>Tech Evans</td>
<td>10% x $625,000 = $62,500</td>
<td>62,500</td>
<td>0</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>100%</td>
<td>$625,000</td>
<td>$0</td>
</tr>
</tbody>
</table>
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.
**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 IDIs and to make deposits, withdrawals, and disbursements of such funds. 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.
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”
Coverage:

- Funds held by an official custodian of a government entity are insured as follows:
  - Accounts held in an in-state IDI
    - 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 IDI
    - Up to $250,000 for the combined total of all deposit accounts
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...
Mortgage Servicing Accounts are established by mortgage servicers and represent commingled principal and interest payments received from 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.*
Category 9 – Mortgage Servicing Accounts

Coverage (cont.):
- Up to $250,000 per borrower.
- These funds will not be aggregated with other deposit accounts that the borrowers or lenders may maintain at the same IDI.

Remember!
- Payments of taxes and insurance (T&I) premiums are insured on a pass-through basis as the funds of each respective borrower.
- T&I premiums are added to other individually owned funds held by each borrower at the same IDI and insured to the applicable limit.
Category 9 – Mortgage Servicing Accounts

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 regulations can be found at 12 C.F.R. § 330.5 and 12 C.F.R. § 330.7 (on the FDIC 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

<table>
<thead>
<tr>
<th>Agent</th>
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<tbody>
<tr>
<td>Nominee</td>
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<tr>
<td>Guardian</td>
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<tr>
<td>Conservator</td>
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<tr>
<td>Executor</td>
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<tr>
<td>Broker</td>
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</tbody>
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## Examples of Fiduciary or Agency Accounts

<table>
<thead>
<tr>
<th>Escrow</th>
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</thead>
<tbody>
<tr>
<td>Power of Attorney</td>
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<tr>
<td>Uniform Transfer to Minors Act (UTMA)</td>
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<tr>
<td>Attorney Trust (IOLTA)</td>
</tr>
<tr>
<td>Agency</td>
</tr>
<tr>
<td>Brokered CDs</td>
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</tbody>
</table>
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 IDI.

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.
Pass-Through Deposit Insurance Coverage

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 IDI’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 IDI’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 IDI 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
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 28-30
- **Category 2: Joint accounts** (12 C.F.R. § 330.9) – Slides 31-36
- **Category 3: Revocable trust accounts** (12 C.F.R. § 330.10) – Slides 37-45
- **Category 4: Irrevocable trust accounts** (12 C.F.R. § 330.13) – Slides 46-47
- **Category 5: Certain retirement accounts** (12 C.F.R. § 330.14(b)(2)) – Slides 48-49
- **Category 6: Employee benefit plan accounts** (12 C.F.R. § 330.14) – Slides 50-54
- **Category 7: Business/Organization accounts** (12 C.F.R. § 330.11) – Slides 55-56
- **Category 8: Government accounts** (12 CFR § 330.15) – Slides 57-60
- **Category 9: Mortgage servicing accounts** (12 CFR § 330.7(d)) – Slides 61-63
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 an IDI. 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 an IDI 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

FDIC Seminar for Bankers
- **Fundamentals of Deposit Insurance Coverage**
  - Discussion of the nine most common deposit insurance categories
  - Available at [https://youtu.be/wr96ilapX4M](https://youtu.be/wr96ilapX4M)

- **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/tX-NjT1wUgk](https://youtu.be/tX-NjT1wUgk)

- **Advanced Topics in Deposit Insurance Coverage**
  - Health Savings Accounts
  - When IDIs Merge
  - Right of Offset
  - Available at [https://youtu.be/d5_y5RxXu4A](https://youtu.be/d5_y5RxXu4A)
Thank you for participating in the seminar!