

FACT SHEET

FDIC Issues Rule on Section 19 of the Federal Deposit Insurance Act

- The Federal Deposit Insurance Corporation (FDIC) published a final rule to revise and codify its current Statement of Policy on Section 19 of the Federal Deposit Insurance Act. The new rule:
 - **Promotes key public policy objectives** by reducing barriers for individuals who have paid their debt to society and reformed their conduct and who may wish to gain employment with a financial institution, while at the same time protecting the integrity of the banking system.
 - **Enhances transparency and accountability, and reduces regulatory burden** for financial institutions and individuals. These changes will narrow the circumstances under which the FDIC's written consent is required for a financial institution to hire individuals with minor criminal offenses.
- Section 19 of the FDI Act prohibits, without the FDIC's prior consent, any person from working in banking who has been convicted of a crime of dishonesty or breach of trust or money laundering, or who has entered a pretrial diversion or similar program in connection with the prosecution of such an offense.
- The final rule changes the treatment of expungements of covered offenses. Under the new rule, all individuals whose covered offenses have been expunged will be exempt from submitting an application.
 - An analysis of applications received from January 1, 2017, through April 30, 2020, revealed that this change would have reduced the number of applications by approximately 10 percent.
- The same analysis found that additional changes to the *de minimis* exception in the final rule would have reduced past applications by approximately 20 percent. Specifically, the final rule:
 - Expands the scope of the *de minimis* exception for certain qualifying offenses involving the use or possession of false or fake identification, as well as for small-dollar, simple theft offenses;
 - Eliminates the waiting periods for applicants who have had only one qualifying covered offense; and
 - Allows a person with two, rather than one, *de minimis* crimes to qualify for the *de minimis* exception, and decreases the waiting period for individuals with two such offenses to three years (or 18 months for those who were 21 years or younger at the time of their misconduct).