FEDERAL DEPOSIT INSURANCE CORPORATION

Comprehensive Deposit Insurance Seminar For Bankers

FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

2022

Outline

- ❑ Part 1 General Principles
- ❑ Part 2 Introduction to Ownership Categories
- ❑ Part 3 Review of Ownership Category Requirements
- ❑ Part 4 Deposit Insurance Coverage Resources

Disclaimer

The information contained in this presentation is for informational purposes only and is provided as a public service and in an effort to enhance understanding of the statutes and regulations administered by the FDIC. It expresses the views and opinions of FDIC staff and is not binding on the FDIC, its Board of Directors, or any board member, and any representation to the contrary is expressly disclaimed.

Seminar on Deposit Insurance Coverage

Part 1 - General Principles

General Principles

- Since 1933, the FDIC seal and official sign at insured institutions has signified trust, confidence and stability to millions of consumers.

- FDIC deposit insurance is backed by the full faith and credit of the United States government.

- 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.

- Since the FDIC's inception, no depositor has ever lost a penny of insured deposits.

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.

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

Basic Insurance Coverage Example

Coverage includes principal and accrued interest earned up to the SMDIA.

Jane Smith	Balance
Principal Amount	$248,000
Accrued Interest	$3,000
Total	**$251,000**
Amount Insured	**$250,000**
Amount Uninsured	**$1,000**

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
    - ➢ Government depositors, such as cities, counties, and other public units.
- ❑ 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.

- ❑ Depositors can access the database from the main FDIC webpage at www.fdic.gov or by visiting: https://banks.data.fdic.gov/bankfind-suite/bankfind.

- ❑ Depositors can search by entering the institution's name, FDIC certificate number, a trade name or a URL.

General Principles

BankFind—Trade Name Banks and Deposit-Accepting URLs

- The most common question depositors have is confirming if a trade name is associated with an FDIC member bank.

- 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.

- Banks can identify on their Call Report their trade names as well as URLs for all web pages used to accept deposits from the public.

- 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.

False Advertising, Misrepresentation about Insured Status, and Misuse of the FDIC Name or Logo

- Section 18(a)(4) of the Federal Deposit Insurance Act, 12 U.S.C. 1828(a)(4), prohibits false advertising, misuse of the FDIC's name, and misrepresentations about deposit insurance. Among other things, the statute authorizes the FDIC to take enforcement action against any individual or entity engaging in such misconduct.
- The FDIC has used this authority to pursue individuals or entities falsely claiming to offer products that are FDIC-insured, misusing the FDIC's name or logo, or making misrepresentations about the extent or manner of deposit insurance.
- On May 17, 2022, following notice and comment, the FDIC adopted a **final rule** implementing section 18(a)(4). The final rule establishes the process by which the FDIC will identify and investigate conduct that may violate section 18(a)(4), the standards under which such conduct will be evaluated, and the procedures that the FDIC will follow when formally and informally enforcing the provisions of section 18(a)(4). The rule becomes effective 30 days after publication in the Federal Register.
- Notably, the final rule includes a provision allowing any person who has reason to believe that anyone is or may be acting in violation of section 18(a) or the rule, or has questions regarding the accuracy of deposit-related representations, to contact the FDIC Information and Support Center.

General Principles

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.

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 and other situations that involve pass-through insurance may take longer since the broker or custodian 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:

    - Deposit insurance coverage up to the SMDIA in that ownership category, and

    - Separate coverage from funds deposited under a different ownership category.

Nine Most Common Ownership Categories

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

Ownership Category Available to a Business/Organization

- Category 7 - Corporations, Partnerships and Unincorporated Association Accounts

Ownership Category Available to a Government Entity

- Category 8 - Government Accounts

Ownership Category Available to a 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

Category 1 – Single Account Coverage

A **Single Account** represents funds:

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

- Examples of Single Accounts

    - An account titled "Jane Smith", with no beneficiaries;

    - 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

Account Title	Deposit Type	Balance
Jane Smith	Savings	$15,000
Jane Smith	CD (6 months maturity)	$20,000
Jane Smith	CD (2 months maturity)	$200,000
Jane Smith	MMDA	$25,000
Total		**$260,000**
Amount Insured		**$250,000**
Amount Uninsured		**$10,000**

Category 1 – Single Account Example

Using different deposit types under the single account category does not increase deposit insurance coverage.

Deposit Type	Balance
Savings	$15,000
CD (6 months maturity)	$20,000
CD (2 year maturity)	$200,000
MMDA	$25,000
Total	**$260,000**
Amount Insured	**$250,000**
Amount Uninsured	**$10,000**

Category 2 – Joint Account Coverage

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 Account Coverage

- 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.

    - 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 signature card requirement may be satisfied electronically.

Category 2 – Joint Account Coverage

- Exceptions to the signature requirement under this rule:
    - a negotiable instrument;
    - a CD account ; or
    - an account established by a broker or an agent.

Category 2 – Joint Account Coverage

- 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 Account Coverage

- 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 Account Coverage

- Deposit insurance coverage for joint accounts is NOT increased by:
  - Rearranging the names listed on multiple joint accounts
  - Using different Social Security numbers on multiple joint accounts
  - Substituting “and” for “or” in account titles for multiple joint accounts

Category 2 – Multiple Joint Accounts Example

Account Number	Account Title	Balance
1	Jane Smith and Andrew Smith	$400,000
2	Jane Smith and Harry Jones	$200,000
Total		**$600,000**

Are all of the owners fully insured?

Category 2 – Multiple Joint Accounts Example

Account	Jane’s Interest	Andrew’s Interest	Harry’s Interest	Total
1	$200,000	$200,000	$0	$400,000
2	$100,000	$0	$100,000	$200,000
Total	**$300,000**	**$200,000**	**$100,000**	**$600,000**
Insured Amount	**$250,000**	**$200,000**	**$100,000**	**$550,000**
Uninsured Amount	**$50,000**	**$0**	**$0**	**$50,000**

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

- On January 21, 2022, the FDIC adopted a final rule that will merge the revocable and irrevocable trust deposit insurance categories into a new “trust accounts” category. **The new rule will not go into effect until April 1, 2024.**

- Under the final rule, a deposit owner’s trust deposits will be insured in an amount up to $250,000 per beneficiary, not to exceed five beneficiaries, regardless of whether a trust is revocable or irrevocable and regardless of the allocation of funds among the beneficiaries. See FIL-07-2022 for additional information.

- 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 and 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?

Category 3 – Revocable Trust Accounts

- Who or what can be a beneficiary?

  - An eligible beneficiary is any natural person.

    - There is no kinship requirement.

  - 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).

Category 3 – Revocable Trust Accounts

For revocable trust accounts, the trust relationship must be reflected 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 Accounts

- 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.

Category 3 – Revocable Trust Accounts

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 – Revocable Trust Accounts

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.

Category 3 – Revocable Trust Accounts

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

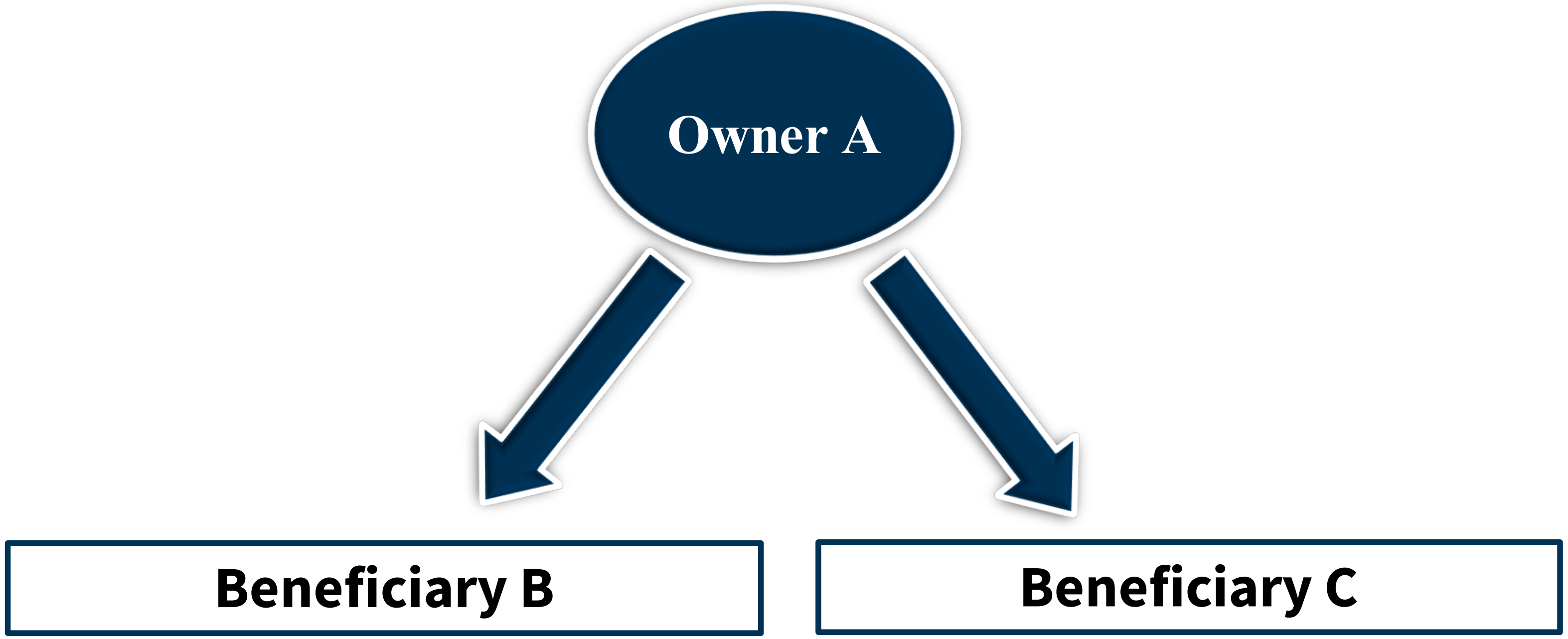
- ❑ There is a **misconception** that deposit insurance is determined by counting or adding the total number of owners and beneficiaries listed on a POD account. **This is incorrect!**

  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 owner x 1 beneficiary x $250,000 = $250,000.
    - ❖ The maximum deposit insurance coverage is $250,000, NOT $500,000.

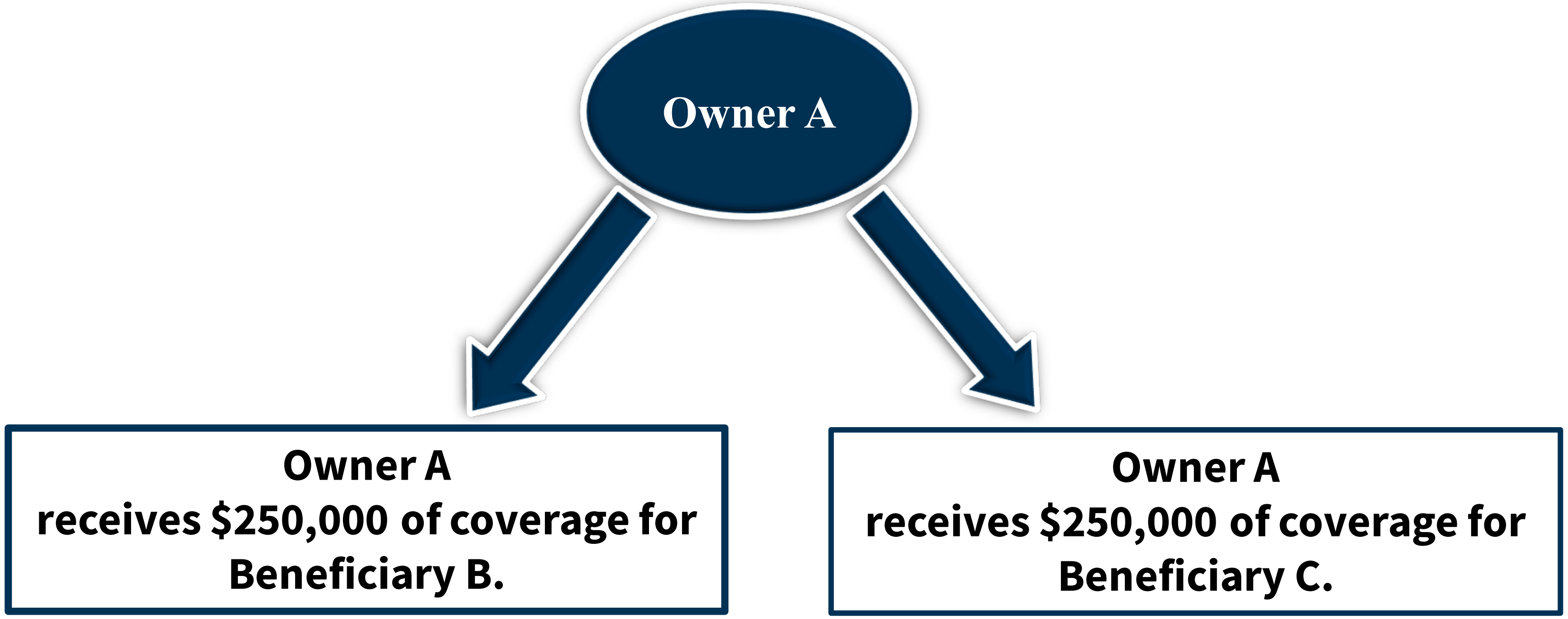
Category 3 – Revocable Trust Accounts



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 examples 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 owner x 2 beneficiaries x $250,000 = $500,000.
- **Deposit Insurance coverage is $500,000 not $750,000.**

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:**

Account	Owner	Title	Beneficiary
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:**

  Number of owners multiplied by the number of **unique** beneficiaries multiplied by $250,000 = Amount Insured.

  - ➢ **1 owner x 3 beneficiaries x $250,000 = $750,000**.

John's Beneficiaries	Distribution of Beneficiaries			Unique Beneficiaries
Account 1 - Alice	Alice			
Account 2 – Betty & Alice	Alice	Betty		
Account 3 – Betty & Cindy		Betty	**Cindy**	
Total	**Alice**	**Betty**	**Cindy**	**3**

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

Category 4 – Irrevocable Trust Accounts

- On January 21, 2022, the FDIC adopted a final rule that will merge the revocable and irrevocable trust deposit insurance categories into a new "trust accounts" category. **The new deposit rule will not go into effect until April 1, 2024.**

- Under the final rule, a deposit owner's trust deposits will be insured in an amount up to $250,000 per beneficiary, not to exceed five beneficiaries, regardless of whether a trust is revocable or irrevocable, and regardless of the allocation of funds among the beneficiaries. See FIL 07-2022 for additional information.

- For purposes 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: 1) death of the grantor of a revocable living trust, 2) execution or creation of an irrevocable trust agreement, or 3) statute or court order.

- Coverage:
  - Coverage for each beneficial interest would be 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)	Section 457 deferred compensation plans (whether or not self-directed)
Savings Incentive Match Plan for Employees (SIMPLE) IRAs	Self-directed defined contribution plans
Simplified Employee Pension (SEP) IRAs	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

Plan Participants	Share of Plan
Dr. Todd	40%
Dr. Jones	30%
Tech Barnes	10%
Tech Evans	10%
Tech Cassidy	10%
Plan Totals	**100%**

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?

- ❑ To determine the maximum insured amount, take the maximum coverage per participant and divide it by the largest participant interest.
- ❑ The maximum coverage per participant is $250,000.
- ❑ In this scenario, the largest participant interest is 40% (Dr. Todd).
- ❑ To use the formula: $250,000 ÷ .40 = $625,000.

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
Total	**100%**	**$625,000**	**$0**

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

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.

Final Rule on Mortgage Servicing Accounts

- ❑ On January 21, 2022, the FDIC adopted a final rule on trust accounts and mortgage servicing accounts. See FIL-07-2022 for further details.

- ❑ Under the final rule, mortgage servicers' advances of principal and interest funds on behalf of mortgagors in a mortgage servicing account would be insured up to $250,000 per mortgagor, consistent with the coverage for payments of principal and interest collected directly from mortgagors.

- ❑ **This rule will not be effective until April 1, 2024.**

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	Examples of Fiduciary or Agency Accounts
Agent	Escrow
Nominee	Power of Attorney
Guardian	Uniform Transfer to Minors Act (UTMA)
Conservator	Attorney Trust (IOLTA)
Executor	Agency
Broker	Brokered CDs

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 and certain requirements are satisfied, the FDIC will insure the funds as if the actual owners had established the deposit in the bank.
- The deposit insurance passes through the custodian or fiduciary and the owner is insured under the applicable ownership category. The funds of an owner will be aggregated with other deposits that owner holds in the same category.

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.

Health Savings Accounts

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.

- **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 records. These accounts generally will be insured under one of the following deposit insurance categories.
  1. Revocable trust category
  2. Single account category

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 as the single account of 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 ABLE Accounts

- ❑ What are Section 529A - ABLE 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.

Seminar on Deposit Insurance Coverage

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 - fdic.gov/resources/deposit-insurance/.

- 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.

- Financial Institution Employee's Guide to Deposit Insurance (Employee's Guide) – https://www.fdic.gov/deposit/DIGuideBankers/index.html.

- FDIC's Online Product Catalogue – https://catalog.fdic.gov/.

- Call the FDIC at 1-877-ASK-FDIC or 1-877-275-3342.

FDIC Information and Support Center

Home | My Cases | Commonly Asked Questions

FDIC Information and Support Center

The FDIC Information and Support Center allows users with inquires or complaints about financial institutions, bank failures, or deposit insurance coverage to open cases with the FDIC for assistance and resolution.

Registered Users Can:

- Submit a question, deposit insurance coverage inquiry, or complaint against an FDIC-insured institution.
- Submit requests regarding lien releases, insured depositor claims, non-depositor claims, borrower questions and other issues surrounding a bank failure.
- Securely exchange documents and responses in order to protect your personal information.
- Log-in to check on the status of your cases.

Guest Users Can:

- Submit a question, deposit insurance coverage inquiry, or complaint against an FDIC-insured institution.

Contact the Ombudsman when you need to:

- Submit anonymous whistleblower concerns and inquiries or complaints to The Office of the Ombudsman regarding the FDIC itself, its practices and procedures.

Questions or problems: Please contact the FDIC Call Center at 1-877-ASK-FDIC (877-275-3342), per the times listed below.

As a Registered User, you may submit a request, inquiry, or complaint about a financial institution, a bank failure, or deposit insurance coverage.

Register and Submit

Login to Check Status

You may submit an inquiry, question or complaint as a Guest User. You will not be able to access a previously submitted case without logging in and we may require personal information to process your complaint.

Submit Request as Guest User

Submit an anonymous whistleblower concern or inquiries or complaints regarding the FDIC, its practices or procedures.

Contact the Ombudsman

https://ask.fdic.gov/fdicinformationandsupportcenter/s/

How to Access Today's Slide Deck Presentation

- ❑ Go to the FDIC website at [www.fdic.gov.](http://www.fdic.gov)

- ❑ In the search box in the upper right hand corner, type in “webinars” and press enter.

- ❑ Look for a link titled “deposit insurance banker webinars ”.

- ❑ The slide deck will be available on the Banker Webinar Page

- ❑ If you have any questions about these procedures, please call us at 1- 877-275-3342 .

Thank you for participating in the seminar!

FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION