

SINGLE ACCOUNTS (12 C.F.R. § 330.6)

I. Definition

Single accounts contain funds that are either owned by one natural person or treated as if they are owned by one natural person. The Single Accounts category includes the following:

1. Individually owned accounts (no beneficiaries);
2. Accounts insured on a pass-through basis, owned by a single person;
3. Accounts in the name of a deceased person or the estate of a deceased person;
4. Sole proprietorship accounts;
5. Community property accounts held in the name of one person; and
6. Accounts that do not qualify under any other category.

II. Insurance Limit

A deposit held by an individual in his or her own capacity in a single account is insured for up to \$250,000.

III. Requirements

The requirement for this category of ownership is that the depositor must be a natural person. If an owner meets the requirements for deposit insurance coverage under any of the other FDIC deposit insurance categories available to an individual (e.g., a single owner opening an account as *payable on death* and naming beneficiaries), then the deposit will be insured under that applicable category.

IV. Types of Single Accounts

1. Individually Owned Accounts

Individually owned accounts are accounts owned by natural persons (i.e., human beings). The most common single account is a deposit account opened by an individual on his or her own behalf. The depositor maintains the account and owns the funds on deposit.

These accounts are simply titled in the owner's name, such as "John Smith."

A common misconception is that when a person opens an account naming one or more eligible beneficiaries, it is insured under the Single Accounts category. This is an incorrect interpretation of the deposit insurance rules. An account naming one or more eligible beneficiaries would instead be insured as a Trust Account.

2. An Agency, Nominee, Guardian, Custodian, or Conservator Account That is Held on Behalf of One Natural Person Who is the Actual Owner of the Funds

A person or entity can deposit funds and maintain an account on behalf of another individual sometimes referred to as the “principal” (i.e., the actual owner of the funds). When the person or entity opening the account has no ownership rights to the deposited funds, the representative is typically acting as a fiduciary, custodian, or agent on behalf of the principal. In situations where there is a single principal, the deposit insurance coverage will pass-through the person or entity opening the account to the principal, and the funds would be insured as the single account of the principal.

For example, the Uniform Gifts to Minors Act (“UGMA”) and the Uniform Transfers to Minors Act (“UTMA”) accounts are custodial accounts with pass-through deposit insurance coverage provided as the minor’s single account. For deposit insurance purposes, the child is considered the principal or sole owner of funds on deposit (even if state law still deems the child as a minor). Deposit insurance coverage passes through the custodian (e.g., parent or other party) to the principal (i.e., the child) and the funds are insured as the child’s single account for up to \$250,000.

Example 1

Facts:

John Bradley is the custodian for his daughter’s UTMA account. His daughter Julia is 7. The account has a balance of \$250,000 and is titled to reflect that the account is an UTMA. At the same IDI, John also keeps his MMDA in his name alone with a \$145,000 balance. John wants to know if all the deposits are insured.

Rules:

- a. If the pass-through insurance requirements are met, deposit insurance coverage passes through the custodian to the actual owner of the funds on deposit.
- b. The owner of the UTMA account is insured as though she opened the account herself.
- c. For deposit insurance purposes, UTMA and UGMA deposits are owned by the child and insured as single accounts.
- d. The custodian’s personal funds at the same IDI are insured separately.

Answer:

Example 1 - UTMA Account and Custodian's Personal Account are Insured Separately				
Account Title	Deposit Type	Balance	Insured Amount	Uninsured Amount
John Bradley as custodian for Julia Bradley, UTMA	CD	\$250,000	\$250,000	\$0
John Bradley	MMDA	\$145,000	\$145,000	\$0

John Bradley is fully insured for \$145,000 and Julia Bradley is fully insured for \$250,000. The UTMA account is properly titled (e.g., “UTMA” indicating a fiduciary relationship). Deposit insurance coverage passes through John, the custodian, to Julia, the actual owner of the funds. The funds are insured as Julia’s single account for up to \$250,000. John’s individual account (MMDA) at the same IDI with \$145,000 is insured as his single account separately from the UTMA account.

This example illustrates the importance of considering all deposits that qualify under a deposit ownership category regardless of who opens the account – the owner or an agent on the owner’s behalf. In addition, the product type has no impact on the amount of deposit insurance coverage or the insurable category. If a depositor is using multiple brokers who are purchasing CDs on his or her behalf, it is important to consider that the funds could be placed at the same IDI.

3. “Decedent Account” or “Estate Account”

When a depositor dies, his or her funds often are collected and placed into a deposit account which is commonly called a “decendent account.” Typically an executor, executrix, or administrator is named or designated to perform tasks on behalf of the deceased person’s estate.

These tasks can include collecting and selling the estate’s assets, filing and paying taxes and debts, and disbursing funds according to the provisions of the decedent’s Last Will and Testament (or according to the applicable state law).

When opening a decedent account, the administrator typically uses language such as “Estate of John Doe,” or “John Doe, Decedent.”

For deposit insurance purposes, the FDIC considers the deceased to be the sole owner of the account. Funds held in a decedent account are added together with any other single accounts the deceased may have had at the same IDI and the total is insured up to the SMDIA of \$250,000.

A common misconception is that an estate account can be insured for more than \$250,000 if beneficiaries are named on the account.

Although an estate may have heirs, a decedent account is not eligible for deposit insurance coverage as a Trust Account or for pass-through insurance to the heirs of the estate.

Example 2

Facts:

Linda Martinez is the administrator of her Aunt Anita’s estate. Anita’s two children, John and Sally McCarthy, are identified in Anita’s Last Will and Testament as her estate beneficiaries. Linda has a personal account at XYZ Bank for \$100,000. In consolidating Anita’s liquid assets, Linda deposited \$250,000 in a decedent account for Anita’s estate at XYZ Bank. The account is titled “Estate of Anita McCarthy.” John and Sally also have single accounts at XYZ Bank, with balances of \$200,000 and \$30,000, respectively.

Given these facts, Linda asks: “What is the insurance coverage for all of these accounts?”

Rules:

- a. For estate accounts, deposit insurance coverage passes through the administrator to the deceased.
- b. The deceased is insured up to \$250,000 as the single account owner.
- c. Unlike trust accounts, beneficiaries are irrelevant when determining deposit insurance coverage for decedent accounts.
- d. Decedent accounts are insured separately from the personal accounts of the estate administrator and beneficiaries.

Answer:

Example 2 – Decedent Accounts are Insured as Single Accounts				
Account Title	Deposit Type	Balance	Insured Amount	Uninsured Amount
Estate of Anita McCarthy	Interest checking	\$250,000	\$250,000	\$0
Linda Martinez	Savings	\$100,000	\$100,000	\$0
John McCarthy	CD	\$200,000	\$200,000	\$0
Sally McCarthy	Interest checking	\$30,000	\$30,000	\$0

Each of the four accounts in this example is fully insured as a single account. The “Estate of Anita McCarthy” account is insured up to \$250,000 as Anita’s single account. The single accounts of Linda, John, and Sally are each insured separately for up to \$250,000.

As Linda administers the estate, she may disburse money from the estate account to John or Sally. If John and Sally deposit these funds into each of their respective pre-existing single accounts at XYZ Bank, they will need to reevaluate their deposit insurance coverage if the distributions result in their accounts exceeding \$250,000.

4. Sole Proprietorship Account (also called “Doing Business As” or “DBA” Account)

A sole proprietorship is an unincorporated business entity with one person typically owning all of the assets. For deposit insurance purposes, a sole proprietorship has no separate legal existence or identity beyond that of the sole proprietor.

Sole proprietorship accounts also may be called “Doing Business As” or “DBA” accounts. These accounts typically reference “Doing Business As” or “DBA” in the account title, such as “Vince Johnson DBA Vinnie’s Deli.”

The owner in a sole proprietorship is one person. When a sole proprietor opens his or her sole proprietorship account, the FDIC treats the deposit as being owned by the sole proprietor (not the sole proprietorship).

Therefore, a sole proprietorship account is insured as the sole proprietor’s single account, along with any other single accounts the sole proprietor has at the same IDI.

Some DBA accounts are jointly owned by two individuals and assuming all requirements for joint accounts are met, those accounts will be insured under the Joint Accounts category. A sole proprietorship account with multiple signatories – but only one owner – will be insured as the sole owner’s single account.

If deposited funds are owned by a legally formed corporation, partnership or unincorporated association, the FDIC would insure the funds as the entity’s business/organization account.

Example 3

Facts:

Marci Jones has two separate deposit accounts at XYZ Bank. The first is a savings account in her name alone for \$55,000 and the second is her unincorporated business account (operating as a sole proprietorship) for \$25,000. Marci Jones also placed \$200,000 with ABC Brokerage, which purchased an individual CD at XYZ Bank in her name.

Rules:

- a. All single accounts owned by the same depositor at the same IDI are added together and the combined balance is insured for up to \$250,000.

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- b. Single accounts may be opened by the person who owns the deposit (acting in his or her individual capacity) or by an agent, acting in an agency capacity, on behalf of the actual owner.
- c. Sole proprietorship accounts are insured as the single accounts of the owner and are not insured as business/organization accounts.

Answer:

Example 3 – Sole Proprietorship Accounts are Insured as Single Accounts					
Account Title	Owner	Deposit Type	Balance	Insured Amount	Uninsured Amount
Marci Jones	Marci	Savings	\$55,000		
Marci Jones DBA <i>Marci's Cakes</i> (a sole proprietorship)	Marci	DDA	\$25,000		
ABC Brokerage, Inc., as agent	Marci	CD	\$200,000		
Total			\$280,000	\$250,000	\$30,000

Marci's combined balance of all single accounts (including the sole proprietorship's DDA and the CD placed by the broker) at the same IDI is \$280,000.

However, she is only insured for up to \$250,000 for all single accounts at a single IDI. The remaining \$30,000 is uninsured. The fact that the funds are held in different product types (i.e., savings, DDA, and a CD) does not impact deposit insurance coverage.

5. Community Property Deposits Held in the Name of One Person

Puerto Rico and ten states, mostly southwestern and western states, have community property laws. These laws vary significantly by jurisdiction but typically provide that property obtained during marriage is jointly owned. A deposit account titled in the name of one person, for example, may be owned by two people in a community property jurisdiction. However, in determining deposit insurance coverage, the FDIC relies on an IDI's deposit account records as well as FDIC rules and regulations. In community property jurisdictions, this means a deposit account owned by two people (as determined by state law) – but titled in only one person's name – will be insured as that one owner's single account.

V. Default Ownership Category (Reversion)

If an account fails to satisfy the requirements of any other deposit insurance category, the funds in the account are treated as single account funds for deposit insurance purposes – a result sometimes referred to as “reversion,” or a “default.” Reversion is most common from the Joint Accounts and Trust Accounts categories.

For example, a depositor might establish an account with two owners listed (the depositor and his wife); however, only one owner (the depositor) has exclusive withdrawal rights. This account would not be insured as a joint account because it lacks equal withdrawal rights, as discussed in detail in the Joint Accounts section. Funds in this account would be added together with funds in other single accounts owned by the same depositor at the same IDI and insured up to \$250,000 in the aggregate.

A common misconception concerning “reversion” or “default” is that funds in excess of the insurance limit in a category other than the Single Accounts category may be treated as single account funds. This is incorrect – “reversion” only applies to accounts that fail to satisfy the requirements of another deposit insurance category. For example, if two depositors maintain a joint account with equal interests and a balance of \$600,000 that satisfies all of the joint account requirements, these funds would be insured in the Joint Accounts category up to \$500,000, as discussed in the Joint Accounts section. The remaining \$100,000 would be uninsured, even if neither depositor maintains a single account at the same IDI.

VI. Individually Owned Funds not Insured Under the Single Accounts Category

Some accounts are owned by one person but not insured under the Single Accounts category because the account qualifies under some other FDIC deposit insurance ownership category. For example:

- Funds linked to either a revocable or irrevocable trust with only one trust owner are insured as a Trust Account, assuming all the requirements for this category are met.
- Funds in an IRA are insured under the “Certain Retirement Accounts” category.
- Funds owned by a corporation with only one shareholder are insurable under the Corporation, Partnership, and Unincorporated Association (business/organizations) Accounts category.
- Funds in a Health Savings Account where the single owner has designated beneficiaries are insured as trust accounts.