

**FDIC's**

**National Telephone Conference on  
Basic Fundamentals of  
Deposit Insurance Coverage**

**Session Dates – October 16 & November 6, 2007**



# Deposit Insurance Coverage Seminar

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**Today's Speaker**

# FDIC Contact Information

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- Call the FDIC toll-free **1-877-275-3342**  
Information specialists are available from  
8 AM until 8 PM Eastern Time  
Monday through Friday
- Hearing impaired: 1-800-925-4618
- Send questions by e-mail using the FDIC's  
online Customer Assistance Form at:  
**[www2.fdic.gov/starsmail](http://www2.fdic.gov/starsmail)**

## Quick Links for Bankers

### Highlights



#### Call and Thrift Financial Report

June 30, 2007  
Filing information for Call Reports are now available. [read more...](#)



#### FDIC Supervisory Insights

June 21, 2007  
The Summer 2007 version reports how banks can mitigate risks associated with third-party arrangements. [read more...](#)

### Top Picks

- [Institution Directory](#)
- [Call & Thrift Financial Reports](#)
- [FDIC Law, Regulations & Related Acts](#)
- [Uniform Bank Performance Reports](#)
- [Summary of Deposits](#)

### Resources

- [FDICconnect](#)
- [Office of the Ombudsman](#)
- [Director's Corner](#)
- [Deposit Insurance Products Order Form](#)
- [Ordering & Using FDIC Signs & Logos](#)
- [Reprintable FDIC Brochures](#)
- [Forms](#)
- [Publications & Documents](#)
- [Lessons Learned from Hurricane Katrina: Preparing Your Institution for a Catastrophic Event](#)
- [Appeals of Material Supervisory Determinations: Guidelines & Decisions](#)
- [Bank Examinations](#)
- [Minority Depository Institutions Program](#)

### Research & Analysis

- [FDIC Quarterly](#)

### Deposit Insurance

- [Electronic Deposit Insurance Estimator \(EDIE\) - Banker's Version](#)
- [Financial Institution Employee's Guide to Deposit Insurance](#)
- [Reform of Deposit Insurance - Preliminary Estimated One-time Assessment Credit Report](#)
- [Assessment Rate Calculator](#)
- [Your Insured Deposits](#)
- [Videos on Deposit Insurance Coverage](#)
- [Insuring Your Deposits](#)
- [Deposit Insurance Assessment Appeals: Guidelines & Decisions](#)
- [Deposit Reporting Self Assessment Guides](#)

### Policy & Legislation

- [FDIC Law, Regulations & Related Acts](#)
- [Financial Institution Letters](#)
- [FDIC Federal Register Citations](#)



# Outline

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- Basic Deposit Insurance Fundamentals
- Deposit Insurance Coverage Ownership Categories
  - Individuals
  - Businesses/Organizations
  - Government Entities/Public Units
- Requirements for Single and Joint Accounts
- Additional Fundamentals
- Your Questions

# Insured Bank Deposits

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- Checking Accounts
- NOW Accounts
- Savings Accounts
- Certificates of Deposit (CDs)
- Money Market Deposit Accounts (MMDA)

# Non-Deposit Products (Not Insured)

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- Stocks, Bonds, Municipal Bonds and Other Securities
- Mutual Funds (money market mutual funds and stock, bond, or other security mutual funds)
- Annuities
- Insurance Products (automobile and life insurance)
- U.S. Treasury Bills, Bonds or Notes
- Safe Deposit Box Contents

# Basic Coverage Amount is \$100,000

- Per depositor (owner of the funds)
- Per separately chartered bank
  - Not per branch

**Up to \$250,000 for  
*Certain* Retirement Accounts**

# Deposit Insurance Coverage Applies to Principal and Interest Earned

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<b>Jane Smith</b>	<b>Balance</b>
Principal	\$ 98,000
Interest	\$ 3,000
<b>Total</b>	<b>\$ 101,000</b>
<b>Insured</b>	<b>\$ 100,000</b>
<b>Uninsured</b>	<b>\$ 1,000</b>

# What Do Customers Want To Know

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- “How much can I be insured for by the FDIC?”
- “What are the different ways a depositor can be insured for in an FDIC insured institution?”

# Determining Deposit Insurance Coverage

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- Who owns the deposits?
- What ownership category is the depositor eligible to use or attempting to use?
- Do they meet the requirements of that category?

# Who Owns the Deposits?

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- FDIC deposit insurance is based on the ownership of the deposit funds -- also referred to as an ownership capacity or ownership category
- Insured party is the owner

## Owner Can Be:

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- Individual(s)
- Business/Organization entity(ies) including corporations, partnerships or unincorporated associations (e.g. school groups, social clubs)
- Governmental entity(ies) or municipality or political subdivisions

# Eligible Ownership Categories



SINGLE



JOINT



*CERTAIN*  
RETIREMENT



EMPLOYEE  
BENEFIT PLAN



REVOCABLE  
TRUST



IRREVOCABLE  
TRUST



CORPORATION  
PARTNERSHIP  
UNINCORPORATED  
ASSOCIATIONS



GOVERNMENT

# Single Accounts

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- Deposits owned by one person
- Coverage: \$100,000



**All Single Accounts are added together  
and insured up to \$100,000**

# Jane Smith's Single Accounts

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<b>Account Types</b>	<b>Balance</b>
Savings	\$ 25,000
CD	\$ 100,000
NOW	\$ 25,000
MMDA	\$ 25,000
<b>Total</b>	<b>\$ 175,000</b>

<b>Insurance Coverage</b>	<b>\$ 100,000</b>
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<b>Uninsured Amount</b>	<b>\$ 75,000</b>
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# Related Issues

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- Sole Proprietorship Accounts
  - Insured as proprietor's Single Account funds
- Decedent Estate Accounts
  - Insured as the decedent's Single Account funds

# Joint Accounts

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- Deposits owned by two or more people
- Coverage: \$100,000 per owner per bank
- Each owner's shares of all joint accounts are added together



# Joint Account Requirements

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- Each co-owner must be a natural person
- Each co-owner must sign signature card (with exceptions)
- Each co-owner must have same withdrawal rights as the others
- FDIC assumes ownership is equal unless otherwise stated

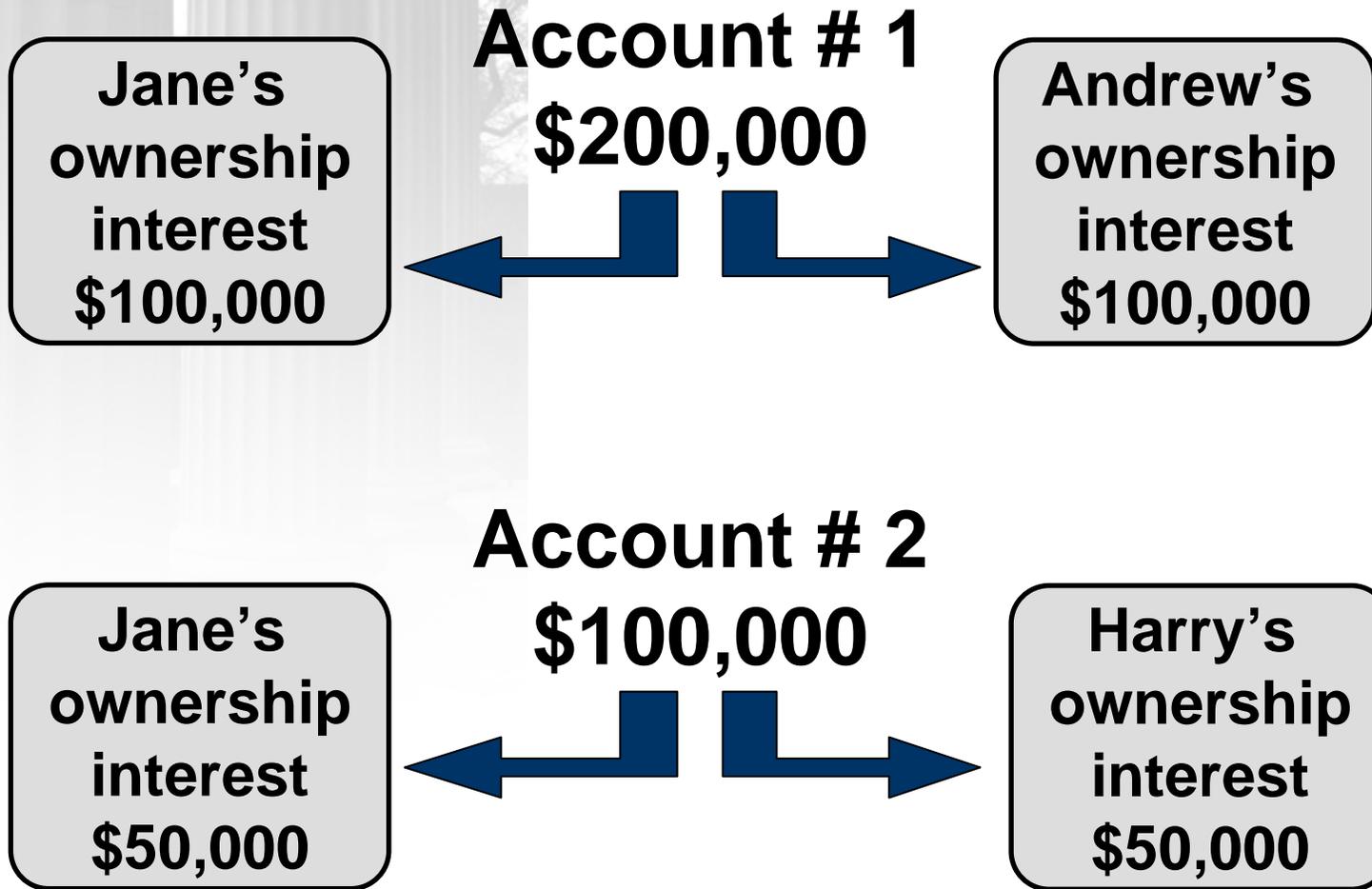
**Deposit insurance is not increased by rearranging the names listed on accounts, substituting “and” for “or” in account titles, or using different social security numbers**

## Example - Multiple Joint Accounts

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<b>Account</b>	<b>Account Title</b>	<b>Balance</b>
# 1	Jane Smith and Andrew Smith	\$ 200,000
# 2	Jane Smith and Harry Jones	100,000
<b>Total</b>		<b>\$ 300,000</b>

# Example - Multiple Joint Accounts



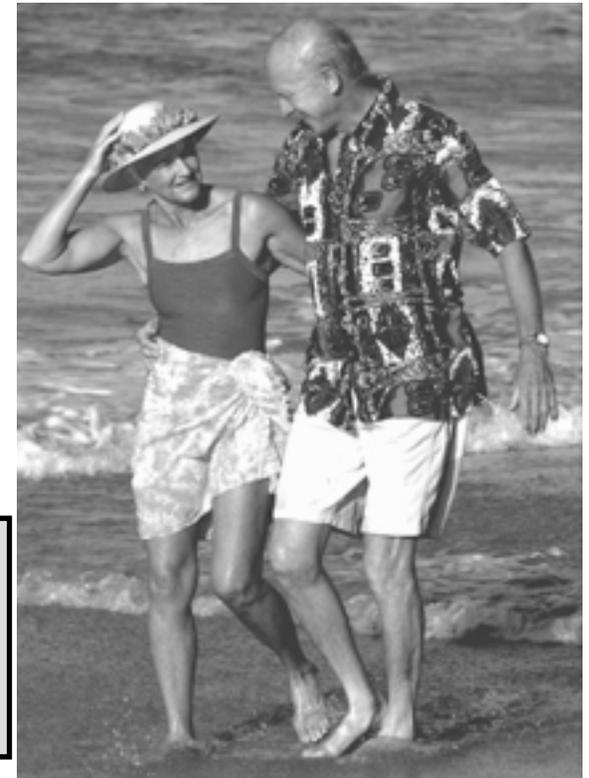
# Coverage – Multiple Joint Ownerships

Owner	Account	Balance	Insured	Uninsured
Jane Smith	(1)	\$100,000	\$100,000	\$50,000
	(2)	\$ 50,000		
Andrew Smith	(1)	\$100,000	\$100,000	\$ 0
Harry Jones	(2)	\$ 50,000	\$ 50,000	\$ 0
<b>Total</b>		<b>\$300,000</b>	<b>\$250,000</b>	<b>\$50,000</b>

# Certain Retirement Accounts

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- Deposits owned by one participant in *certain* retirement accounts
- Coverage: up to \$250,000 for *certain* retirement accounts
- Most common type of account in this category - IRA



**Insurance coverage for retirement accounts is not increased by naming beneficiaries**

# Employee Benefit Plan Accounts

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- Defined contribution plans, including profit-sharing plans and 401(k) plans that do not qualify as “self-directed” plans
- Defined benefit plans

**Insurance coverage is up to \$100,000 for each participant’s non-contingent interest**

# Revocable Trust Accounts

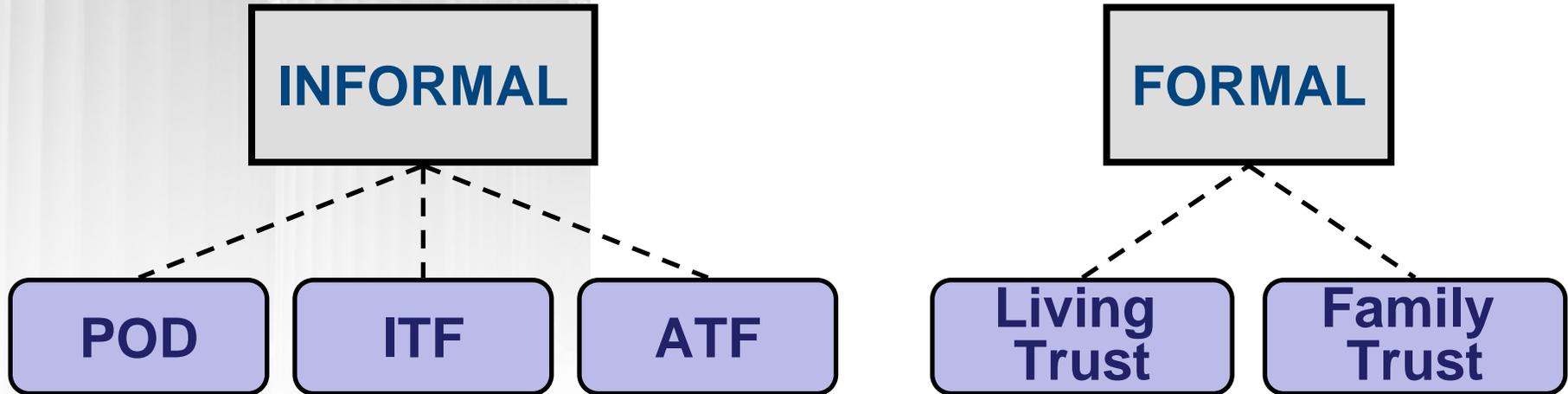
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- Deposit accounts that evidence an intention that the funds will belong to one or more named beneficiaries upon the owner's death
- Coverage: \$100,000 per owner per qualifying beneficiary (parent, sibling, spouse, child, grandchild)
- Each owner's funds for each qualifying beneficiary in all revocable trust accounts are added together



# Revocable Trusts Types

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Payable-on-Death (POD) accounts or other similar terms such as “ITF” (In-Trust-For) or “ATF” (As-Trustee-For)

# What Category Am I Covered Under?

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## Common misunderstanding:

- Single account with beneficiaries?
- Joint account with beneficiaries?

**An individual or jointly owned account with beneficiaries is an informal revocable trust deposit!\***

# Irrevocable Trust Accounts

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- Irrevocable trust may be created through:
  - Death of grantor of revocable living trust
  - Execution of irrevocable trust agreement
  - Statute or court order
- Irrevocable means that the grantor (person who created trust) does not possess power to terminate or revoke trust
- Insurance Coverage usually no more than \$100,000 for the trust

# Business/Organization Accounts

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- Coverage is \$100,000 for:
  - Corporations
  - Partnerships
  - Unincorporated Associations
- Must be an actual legal entity engaged in an independent activity

# Government/Public Unit Accounts

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Insurance coverage provided to each “**official custodian**” of each public unit or political subdivision

- Deposit in a bank in same state:
  - \$100,000 for all time and savings deposits
  - \$100,000 for all demand deposits
  
- Deposit in a bank in different state:
  - \$100,000 for all deposits

# Eligible Ownership Categories



SINGLE



JOINT



*CERTAIN*  
RETIREMENT



EMPLOYEE  
BENEFIT PLAN



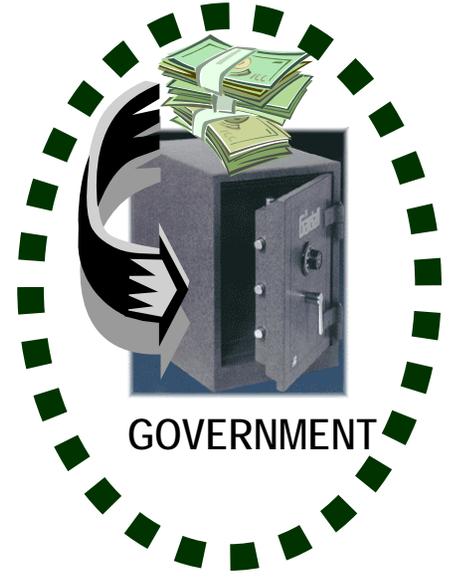
REVOCABLE  
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GOVERNMENT

# Maximum Deposit Insurance Coverage

	<b>Single Accounts</b>	<b><i>Certain</i> Retirement Accounts</b>	<b>Joint Accounts</b>	<b>Revocable Trust Accounts*</b>	<b>Total Coverage</b>
Husband	\$100,000	\$250,000	\$100,000	\$300,000*	\$ 750,000
Wife	\$100,000	\$250,000	\$100,000	\$300,000*	\$ 750,000
<b>Total</b>	<b>\$200,000</b>	<b>\$500,000</b>	<b>\$200,000</b>	<b>\$600,000*</b>	<b>\$1,500,000</b>

\* Assumes that husband and wife have named 3 qualifying beneficiaries in their revocable trust account and that the beneficiaries have equal beneficiary interests

# Additional Concepts & Fundamentals

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- **Fiduciary Accounts**
- **Death of an Account Owner or Beneficiary**
- **Bank Merger**
- **Bank Failure**

# Fiduciary Accounts

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## Funds deposited by:

- Agent
- Nominee
- Guardian
- Custodian
- Executor

## Examples:

- Escrow
- Broker
- Attorney trust (IOLTA)
- Title company
- Uniform Transfer to Minors Act (UTMA)

- Bank's account records must disclose the fiduciary relationship in the account title
- Bank's account records or fiduciary's records must disclose owner's identity and interest

# Death of an Account Owner

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- Death of an account owner will in most cases reduce the amount of insurance coverage
- However, FDIC provides a six month grace period, during which the account will be insured as if the account owner had not died

# Beneficiary's Death

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- Six-month grace period does not apply
- Immediately reduces the deposit insurance coverage for an informal revocable trust account

# Insurance Coverage after a Bank Merger

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- Separate insurance for six months
- Separate insurance for CDs issued by the former bank until maturity

# Insurance Coverage after a Bank Failure

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- FDIC pays depositors “as soon as possible” (historically within next business day)
- FDIC pays 100% on the dollar for all insured deposits
- Depositors with brokered deposits will take longer to recover their insured funds
- Depositors with uninsured deposits may recover a portion of their uninsured funds

# Telephone Seminar Schedule

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- October 16<sup>th</sup> - Basic Concepts and Fundamentals**
- October 18<sup>th</sup> - Retirement Accounts**
- October 23<sup>rd</sup> - Trusts Accounts**
- October 25<sup>th</sup> - Business & Government Accounts**

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- November 6<sup>th</sup> - Basic Concepts and Fundamentals**
  - November 8<sup>th</sup> - Retirement Accounts**
  - November 13<sup>rd</sup> - Trusts Accounts**
  - November 15<sup>th</sup> - Business & Government Accounts**

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# Questions and Answers