

Federal Deposit Insurance Corporation

**Financial Institution Employee's Guide to
Deposit Insurance**

UPDATED 2016

2016 Edition

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Updated 2016

Financial Institution Employee's Guide to Deposit Insurance ("Employee's Guide")

Note about possible changes to this Employee's Guide:

This edition of the Financial Institution Employee's Guide to Deposit Insurance (*"Employee's Guide"* or *"Guide"*) includes regulatory and statutory deposit insurance rules that are effective as of the date of publication. The online version of this *Employee's Guide* will be updated upon any regulatory or statutory change that affects the contents of this document.

INTRODUCTION

About the *Employee's Guide*

This *Employee's Guide* is intended to assist depository institutions insured by the Federal Deposit Insurance Corporation ("FDIC") in providing accurate information about FDIC insurance coverage to their depositors.

Note: For simplicity, the term "insured depository institution" ("IDI") is used throughout this *Employee's Guide* to mean any bank or savings association that is FDIC-insured.

Important Disclaimers

The information contained in this *Employee's Guide* is intended to assist IDI employees in determining FDIC deposit insurance coverage for deposits held in IDIs. The information in this resource is based on the FDIC's deposit insurance rules and regulations found at 12 C.F.R. Part 330 and related advisory opinions in effect as of the publication of this document.

The *Employee's Guide* is not intended to provide legal, financial, or estate planning advice, nor is it intended to provide guidance for the creation of revocable or irrevocable trust agreements. For legal, financial or estate planning advice, it is recommended that depositors contact a financial advisor or an attorney.

The examples provided in this *Employee's Guide* are drawn from thousands of questions received by the FDIC. The examples are not intended to describe every situation that may arise. This is especially true for revocable or irrevocable trusts.

Use caution when applying the examples in this *Employee's Guide* to determine FDIC deposit insurance coverage for a specific trust agreement. Although the trust described in an example may appear to be similar to an actual trust, there may be subtle differences in the terms and conditions that could result in a different answer when calculating deposit insurance coverage. In addition, the modification of a trust agreement at some future date may affect the calculation of coverage for a particular trust. In addition, the death of an owner or beneficiary will significantly affect FDIC deposit insurance coverage. This *Employee's Guide* may use examples or terminology that may not be applicable to a specific individual's trust because of regulatory or statutory provisions in the state in which the depositor resides.

Federal law expressly prescribes the specific amount and limits of deposit insurance the FDIC can pay to depositors and no representation made by any person or organization can increase or alter that coverage.

The *Employee's Guide* should be used in conjunction with the FDIC deposit insurance reference materials found at the FDIC webpage www.fdic.gov/deposit. For help from an FDIC deposit insurance subject matter expert, call the FDIC toll free at 1-877-ASK-FDIC (1-877-275-3342).

All names used in the examples in this *Guide* are fictitious and do not represent real persons.

Effective Date

This edition of the *Employee's Guide* describes the deposit insurance rules in effect at publication. Included in this *Guide* is current information on all deposit insurance coverage regulations effective through the publication date of this *Employee's Guide*. Additional information can be found at FDIC's website at www.fdic.gov.

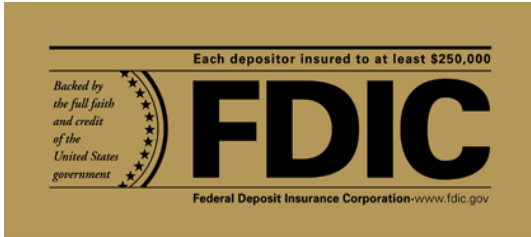
DEPOSIT INSURANCE BASICS

FDIC's Deposit Insurance Program

The FDIC protects the depositors of IDIs against the loss of their deposits due to an IDI failure (up to the applicable insurance limit).

FDIC Official Sign [\(12 C.F.R § 328.1\)](#)

IDIs must display the FDIC sign shown below at each teller window or teller station “where insured deposits are usually and normally received.”



Standard Maximum Deposit Insurance Amount (“SMDIA”) [\(12 C.F.R. § 330.1\(o\)\)](#)

The FDIC pays deposit insurance upon the failure of an IDI. In paying deposit insurance, the FDIC insures the balance of each depositor's accounts, dollar-for-dollar, including principal and any accrued interest, up to the applicable insurance limit. The basic amount of FDIC deposit insurance coverage provided to depositors of an IDI is referred to as the Standard Maximum Deposit Insurance Amount (“SMDIA”). At present, the SMDIA is \$250,000.

Deposits in Excess of the Insurance Limit

Following the failure of an IDI, the FDIC as receiver will liquidate the institution’s assets for the benefit of the institution’s creditors. One group of creditors will be those depositors whose deposits exceed the applicable insurance limits. Through the liquidation process, these depositors may recover some of their excess or uninsured funds. Through the FDIC’s payment of deposit insurance, these depositors will recover their insured funds (*i.e.*, funds up to the insurance limit) in full.

Below is a chart detailing the amount of SMDIA since 1934.

Date	Insurance Coverage Changes
January 1, 1934	\$2,500
July 1, 1934	\$5,000
1950	\$10,000
1966	\$15,000
1969	\$20,000
1974	\$40,000
1980	\$100,000
April 1, 2006	\$100,000 Certain retirement accounts insured up to \$250,000
October 3, 2008 – July 21, 2011	Temporary increase of SMDIA to \$250,000 Full guarantee for noninterest-bearing transaction accounts through 12/31/2010 for IDIs participating in the Transaction Account Guarantee Program (“TAGP”) Unlimited coverage for noninterest-bearing transaction accounts from 12/31/2010 through 12/31/2012 under the Dodd-Frank Act
January 1, 2010 – Present	Full guarantee for noninterest-bearing transaction accounts through 12/31/2010 for IDIs participating in the TAGP Unlimited coverage for noninterest-bearing transaction accounts from 12/31/2010 through 12/31/2012 under the Dodd-Frank Act Increase of the SMDIA to \$250,000

FDIC Deposit Insurance is Provided for “Deposit” Products

FDIC insures all types of deposits received by an IDI in its usual course of business, including deposits in:

- Demand deposit accounts (“DDAs”)
- Negotiable order of withdrawal (“NOW”) accounts
- Money market deposit accounts (“MMDAs”)
- Passbook and statement savings accounts
- Time deposit accounts, including certificates of deposit (“CDs”)

- Official items such as:
 - Money orders - Expense checks
 - Interest checks - Official checks/cashier's checks
 - Travelers checks - Loan disbursement checks

Types of IDI Products that the FDIC Does Not Insure

Some IDIs offer their customers financial products or investments that do not meet the FDIC definition of a “deposit” and therefore are not insured by the FDIC. Examples of nondeposit products that are not insured by the FDIC include:

- *Investments in mutual funds*, including money market mutual funds and mutual funds that invest in stocks, bonds, and other securities
- *United States Treasury securities* (United States Treasury securities are backed by the full faith and credit of the United States government.)
- *Annuities*, which are contracts underwritten by insurance companies guaranteeing income in exchange for a lump sum or periodic payment
- *Stocks, bonds or other securities*
- *Insurance products*, such as automobile, life, or credit insurance
- *Safe deposit boxes* (The contents of safe deposit boxes may be covered by the IDI’s hazard insurance and/or the box holder’s homeowners or renters insurance.)

Many IDIs recommend or sell to retail customers nondeposit investment products, such as mutual funds and annuities. These IDIs provide these services at the retail level, directly or through various types of arrangements with third parties. IDIs with sales activities for nondeposit investment products should ensure that customers for these products are clearly and fully informed of the nature and risks associated with these products.

In 1994, the federal financial regulatory agencies — FDIC, Office of the Comptroller of the Currency (“OCC”), the Office of Thrift Supervision¹ (“OTS”) and the Board of Governors of the Federal Reserve System (“FRB”) — issued an Interagency Statement on Retail Sales of Nondeposit Investment Products.

¹ OTS ceased operations as of October 19, 2011.

This policy statement requires all IDIs to:

- Fully inform their customers about investment risks
- Differentiate investment products from insured deposits
- Distinguish the investment product sales area from the retail deposit-taking area
- Employ properly licensed and trained sales representatives
- Develop effective program management, particularly when investments are sold through third parties

FDIC Will Rely on IDI Deposit Account Records ([12 C.F.R. § 330.5\(a\)](#))

In the event of the failure of an IDI, the FDIC relies upon the deposit account records of the IDI to determine the ownership of an account and the amount of deposit insurance coverage available to each depositor. If the records are clear and unambiguous, those records are considered binding on the depositor, and the FDIC will not consider other records on the manner in which the deposits are owned.

Deposit Account Records ([12 C.F.R. § 330.1\(e\)](#))

Deposit account records include:

- Signature cards
- CDs and passbooks
- Account ledgers and computer records that relate to the IDI's deposit-taking function
- Corporate resolutions authorizing accounts in the possession of the IDI
- Official items
- Other books and records of the IDI

The FDIC may request supplemental documentation such as articles of incorporation, copies of trusts, and affidavits or declarations to substantiate ownership of deposit funds. The FDIC may use these documents to confirm that the deposits are actually owned in the manner indicated in the IDI's account records and to determine the amount of deposit insurance coverage for which the account qualifies.

If the FDIC determines that a depositor has misrepresented the ownership of a deposit account in an attempt to increase insurance coverage, the FDIC will make payment of deposit insurance based on the actual ownership of the account.

Deposits Maintained by Non-United States Citizens or Residents
[\(12 C.F.R. § 330.3\(c\)\)](#)

The availability of deposit insurance is not limited to citizens and residents of the United States. Any person or entity that maintains deposits in an IDI (unless the office or branch of the IDI is located outside the United States as discussed below) is eligible for deposit insurance coverage.

Deposits Denominated in a Foreign Currency **[\(12 C.F.R. § 330.3\(c\)\)](#)**

Deposit insurance coverage is provided for deposits in an IDI that are denominated in a foreign currency. Deposit insurance for such deposits will be determined in the amount of United States dollars that is equivalent in value to the amount of the deposit denominated in the foreign currency. The FDIC's regulations provide that the exchange rates to be used for such conversions are the 12 PM rates (the "noon buying rates for cable transfers") quoted for major currencies by the Federal Reserve Bank of New York on the date of default of the IDI. If the deposit agreement specifies that some other widely recognized exchange rates are to be used for all purposes under that agreement, then the FDIC will use those specified rates for the conversions.

Deposits in Insured Branches of Foreign Banks **[\(12 C.F.R. § 330.3\(d\)\)](#)**

Deposits in an insured branch of a foreign bank that are payable by contract in the U.S. are entitled to FDIC insurance coverage. The coverage limits are the same as for United States IDIs.

Deposits Outside the United States **[\(12 C.F.R. § 330.3\(e\)\)](#)**

With limited exceptions, any obligation of an IDI which is payable solely at an office of that institution located outside any State of the United States, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa, the Trust Territory of the Pacific Islands, the Virgin Islands, and Northern Mariana Islands, is not a deposit for deposit insurance purposes.

International Banking Facility ("IBF") Deposits **[\(12 C.F.R. § 330.3\(f\)\)](#)**

No insurance is provided by the FDIC for funds held in an "international banking facility time deposit," or IBF account, as defined by FRB.

Effect of State Law ([12 C.F.R. § 330.3\(h\)](#))

Deposit insurance is for the benefit of the owner or owners of deposits. Consequently, ownership of deposits under state law is a necessary condition for deposit insurance coverage.

For example, in order for deposits held in the name of a partnership to be insured separately from the personal deposits of the partners, the partnership must be valid or recognized under state law.

Ownership under state law, however, is only one factor in determining the extent of deposit insurance coverage available for a particular deposit account. Deposit insurance coverage also depends upon the following:

- The deposit account records of the IDI
- Satisfaction of the FDIC's requirements for the particular ownership category

Some state laws, such as community property laws, do not affect deposit insurance coverage. For example, although deposits held in one name alone by a husband or wife in a community property state are considered jointly owned by both spouses under state law, they are considered single accounts for deposit insurance purposes. Ultimately, Federal laws and regulations control deposit insurance. You can contact the FDIC if you have questions about the applicability of a specific state law in calculating deposit insurance coverage.

Right of Offset

The FDIC is authorized to withhold insurance from those depositors who are indebted to the failed IDI until the debt is satisfied. Also, in its capacity as receiver for the failed IDI, the FDIC possesses the right to “offset” or “set off” the depositor’s deposit against an unpaid debt (such as a delinquent loan). This right of “offset” depends upon the satisfaction of certain requirements under state law.

When a depositor’s deposit exceeds the insurance limit (as discussed in the preceding section), the depositors themselves may wish to “set off” the uninsured funds against their debts (including non-delinquent loans). Assuming the satisfaction of any requirements imposed by state law, the FDIC as receiver will allow such offsets. For information about the offset requirements in a particular state, depositors should seek advice from their own legal advisers.

Offset Requirements

1. There must be mutuality between the parties (the same person or entity which owes the debt to the IDI must also own the funds deposited with the IDI). Where mutuality exists, single accounts may be offset against single name debts to the IDI. Joint account deposits can be offset against joint obligations. Accordingly, for both delinquent and non-delinquent loans, in order for a right of offset to apply, the requirements for mutuality must be met. If there is no mutuality, then no offset is possible.
2. The funds are not a “special purpose” deposit (e.g., funds held by an IDI’s trust department for safekeeping).
3. The offset is permitted by state law.

Offset is a complex area and IDI employees should advise their customers to consult with an attorney to determine whether it is applicable in their particular situation and in their particular states.

The FDIC has a detailed advisory opinion on offset. The advisory opinion can be accessed on the FDIC’s website at <https://www.fdic.gov/regulations/laws/rules/4000-6100.html>.

GENERAL PRINCIPLES OF INSURANCE COVERAGE

Separate Insurance Is Provided to Each Depositor

Deposit accounts maintained 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.

Insurance Is Provided on a Per-IDI Basis ([12 C.F.R. § 330.3\(b\)](#))

The FDIC separately insures deposit accounts maintained in separately chartered IDIs, even if the IDIs are affiliated, such as belonging to a common holding company. The rules for deposit insurance coverage are the same for each IDI regardless of the size or geographic location of the institution.

Accounts that a depositor maintains at different branches or offices of the same IDI are not separately insured. All deposit accounts in the same ownership category held by a depositor at different branches or offices of the same IDI are added together and insured up to the insurance limit for that ownership category, even if the IDI does business under a different name at some of those branches or offices.

Many IDIs allow depositors to open and transact business on deposit accounts over the Internet, often using a website that operates under a name different than the IDI uses for its traditional branches. These deposit accounts, however, are aggregated with any deposit accounts a depositor may have in the same ownership category at the traditional retail branches of the same IDI and insured up to the limit for that ownership category.

Separate Insurance Is Provided For Deposits in Different Ownership “Rights and Capacities” ([12 C.F.R. § 330.3\(a\)](#))

FDIC deposit insurance coverage is provided for funds held in different *rights and capacities* (or ownership categories). All deposits in a particular ownership category — whether in one account or multiple deposit accounts — are aggregated and insured up to the SMDIA for that ownership category. It is important to emphasize that a depositor does not hold accounts in different ownership categories by opening accounts of different deposit product types (CDs, savings accounts or checking accounts, for example). A *right and capacity* is a legal basis of ownership and is based on federal statutes and FDIC regulations. Opening accounts of different deposit types does not establish different *rights and capacities* for a depositor. Accounts held in different rights and capacities, however, receive separate deposit insurance coverage.

All Types of Deposits in the Same Ownership Category Are Combined

All deposits owned by the same depositor (or depositors) in the same ownership category are added together for the purpose of calculating FDIC deposit insurance coverage. This aggregation is irrespective of whether the deposits are opened under the same product type (for example, all CDs) or a combination of different product types (for example, a CD and a savings account). In addition, the number of accounts a depositor establishes within an ownership category has no impact on the maximum amount of deposit insurance coverage provided. *It is the total dollar amount of all deposit accounts within a specific ownership category that is considered when determining insurance coverage.*

A common misconception held by many depositors is that using different deposit products increases deposit insurance coverage. That is an incorrect understanding of how to calculate coverage. A depositor cannot increase coverage by opening additional deposit accounts in the same ownership category. It is the ownership category in which the funds are held that determines the set of rules that would apply to a particular deposit.

Minimum Information Required to Calculate FDIC Coverage for Deposit Accounts

To determine the amount of insurance coverage available for IDI deposits belonging to a person or entity, the following questions – at a minimum – should be answered:

1. *Who owns the deposits?*
2. *What FDIC ownership category is the depositor attempting to qualify under or use?*
3. *Does the depositor meet all the requirements for coverage under the applicable ownership category?*

1. Who owns the deposits? Identifying the particular individual, business, or government entity that owns the deposits is an essential first step in analyzing the amount of deposit insurance coverage that may be available.

2. What FDIC ownership category is the depositor attempting to qualify under or use? Deposits made under each of the 14 FDIC ownership categories are insured separately provided the depositor meets the specific requirements for each of the ownership categories.

➤ General Principles of Insurance Coverage

There are 14 FDIC deposit insurance ownership categories:

- Single accounts — [12 C.F.R. § 330.6](#)
- Joint accounts — [12 C.F.R. § 330.9](#)
- Revocable trust accounts — [12 C.F.R. § 330.10](#)
- Irrevocable trust accounts — [12 C.F.R. § 330.13](#)
- Certain retirement accounts — [12 C.F.R. § 330.14\(b\)\(2\)](#)
- Employee benefit plan accounts — [12 C.F.R. § 330.14](#)
- Business/Organization accounts — [12 C.F.R. § 330.11](#)
- Government accounts (public unit accounts) — [12 C.F.R. § 330.15](#)
- Mortgage servicing accounts for principal and interest payments — [12 C.F.R. § 330.7\(d\)](#)
- Accounts held by a depository institution as the trustee of an irrevocable trust — [12 C.F.R. § 330.12](#)
- Annuity contract accounts — [12 C.F.R. § 330.8](#)
- Public bond accounts — [12 C.F.R. § 330.15\(c\)](#)
- Custodian accounts for Native Americans — [12 C.F.R. § 330.7\(e\)](#)
- Accounts deposited by an IDI pursuant to the Bank Deposit Financial Assistance Program of the Department of Energy — [12 U.S.C. § 1817 \(i\)\(3\)](#)

Employees of IDIs must determine the applicable deposit insurance ownership category that a depositor is attempting to use in order to calculate coverage. Therefore, it is important to understand the concept of ownership categories as well as how these categories are related to the information that employees of an IDI require when opening deposit accounts. In the illustrations provided on the following pages, FDIC ownership categories are linked to the information available on a hypothetical signature card that an IDI may use. Please note that the FDIC is not suggesting or recommending that an IDI use the format of the hypothetical card in establishing its documentation. The example is for illustration purposes only.

➤ General Principles of Insurance Coverage

The account description sections are circled in red on the hypothetical signature card.

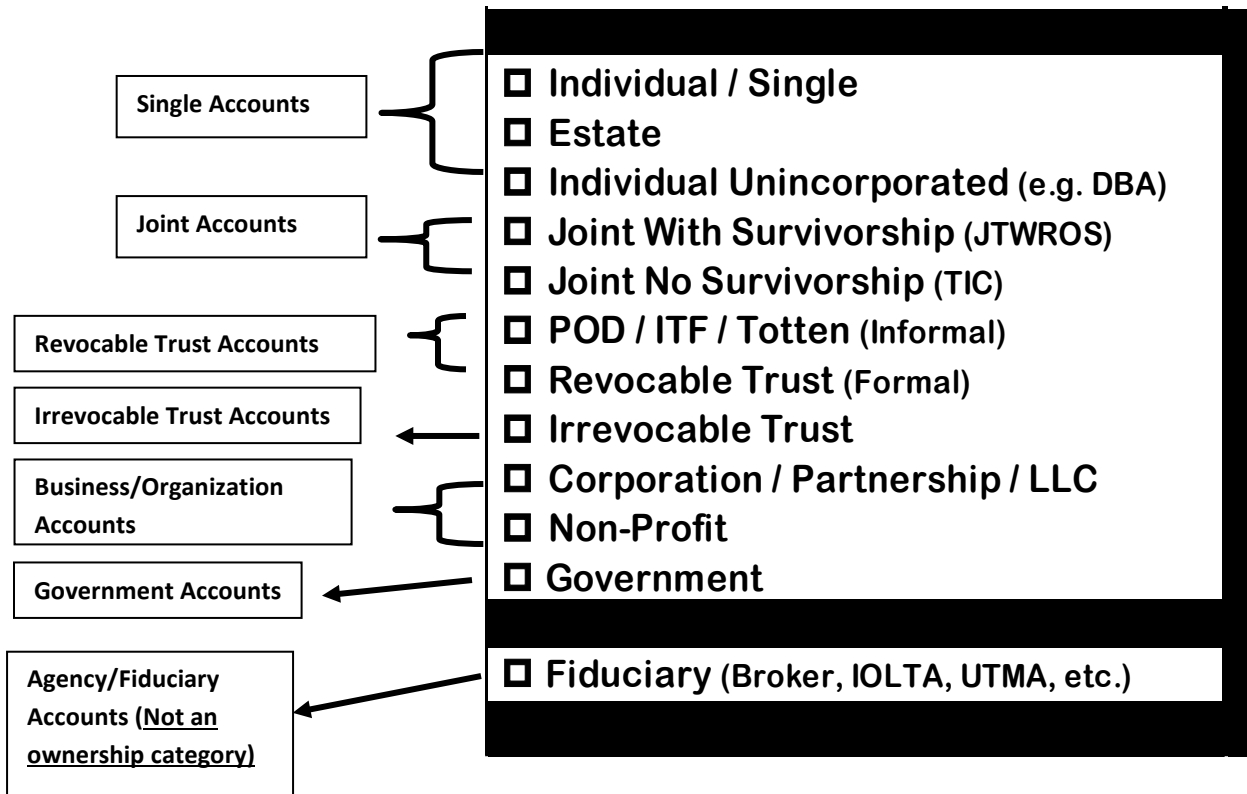
SIGNATURE CARD FOR DEPOSIT ACCOUNTS	
Account Title	
Account Number	
TIN of First Name on Account or Legal Entity	
Signature	Title
Printed Name	Date
Signature	Title
Printed Name	Date
ACCOUNT DESCRIPTION ☐ Personal Account ☐ Non-Personal Account ☐ Individual / Single ☐ Estate ☐ Individual Unincorporated (e.g. DBA) ☐ Joint With Survivorship ☐ POD / ITF / Totten ☐ Revocable Trust ☐ Irrevocable Trust ☐ Corporation / Partnership / LLC ☐ Non-Profit ☐ Government ☐ Fiduciary	
ACCOUNT BENEFICIARIES Name of Beneficiary Name of Beneficiary Name of Beneficiary	
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 ☐ Roth IRA ☐ SIMPLE IRA ☐ SEP IRA ☐ Inherited IRA ☐ Inherited Roth IRA ☐ Rollover IRA ☐ Keogh																										
Name	SSN																									
Address	DOB / /																									
	Home Phone																									
	Business Phone																									
City	State Zip																									
BENEFICIARIES <table border="1"> <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>		Name and Address	Relationship	DOB	SSN	Share	1					2					3					4				
Name and Address	Relationship	DOB	SSN	Share																						
1																										
2																										
3																										
4																										
CUSTOMER AGREEMENT Signature Date																										
CUSTODIAN / TRUSTEE ACCEPTANCE Signature Date																										

Disclaimer

The card format on this page is to illustrate how various accounts may be linked to FDIC deposit insurance categories and is not for adoption as a recommended format by IDIs.

➤ General Principles of Insurance Coverage



For the purpose of opening new deposit accounts, an IDI's software often will have fields pertaining to the ownership and type of deposit account. The hypothetical signature card reproduced above links some of the typical IDI account descriptions used in opening deposit accounts to specific FDIC ownership categories. This exercise can explain how the information collected at the time a deposit account is opened will indicate under which of the different FDIC deposit insurance ownership categories the deposit qualifies.

In order to qualify as an account in the FDIC's *single deposit category*, the account must be an individual or single account, an estate account or a doing business as ("DBA") account. The IDI employee would then mark one of the boxes in the single accounts category.

Next, deposits that are jointly owned as either "Joint Tenants with Right of Survivorship" or "Tenants in Common" are examples of FDIC's *joint accounts category*. For the purpose of FDIC deposit insurance coverage, single accounts and joint accounts cannot have any beneficiaries named. If there are beneficiaries named on a single or a joint account, these deposits will be analyzed under the rules for *revocable trust accounts*.

➤ General Principles of Insurance Coverage

Those deposits which are opened at IDIs as payable-on-death or in-trust-for accounts or are titled in the name of a revocable trust agreement are insurable as *revocable trust accounts*. Another, though rare type of account, is a deposit linked to an *irrevocable trust* agreement.

In examining the other deposit types on the signature card, IDI employees can identify business or organization deposits as funds that are owned by a *corporation, partnership, or unincorporated association*. Accounts that are owned and meet the definition of a public unit or governmental entity are insured as *government accounts*.

Another ownership category as shown on the hypothetical signature card is a *certain retirement account*, which includes all types of individual retirement accounts (“IRAs”) and other self-directed retirement accounts.

As discussed below, each of these ownership categories is insured separately, provided the FDIC requirements are met.

3. Does the depositor meet all the requirements for coverage under the applicable ownership category?

Each of the ownership categories has specific requirements that must be met to receive separate insurance coverage under that category. As discussed in further detail in this *Employee’s Guide*, if an account fails to meet the applicable requirements, the deposits will be insured in another ownership category (for an individual usually the single accounts category) and the deposits will be added together with any other funds that the depositor has in that same ownership category.

To obtain such coverage, depositors must satisfy the requirements for each of the ownership categories that they intend to use. Some categories are exclusive to specific depositors based on the type of ownership (for example, individual, business or government entity) for deposit insurance eligibility. As an example, funds owned by a corporation can only qualify for deposit insurance coverage under the business/organization account category. In contrast, an individual’s deposits may qualify for deposit insurance coverage under any of the six deposit insurance ownership categories available to individual depositors.

It is possible for a depositor to qualify for more than the SMDIA at an IDI provided the depositor meets the specific regulatory requirements for certain ownership categories.

ACCOUNT OWNERSHIP CATEGORIES

This chapter provides a detailed discussion of the FDIC's deposit insurance coverage rules and requirements for each of the following ownership categories:

- Single accounts — [12 C.F.R. § 330.6](#)
- Joint accounts — [12 C.F.R. § 330.9](#)
- Revocable trust accounts — [12 C.F.R. § 330.10](#)
- Irrevocable trust accounts — [12 C.F.R. § 330.13](#)
- Certain retirement accounts — [12 C.F.R. § 330.14\(b\)\(2\)](#)
- Employee benefit plan accounts — [12 C.F.R. § 330.14](#)
- Business/Organization accounts — [12 C.F.R. § 330.11](#)
- Government accounts (public unit accounts) — [12 C.F.R. § 330.15](#)
- Mortgage servicing accounts for principal and interest payments — [12 C.F.R. § 330.7\(d\)](#)
- Accounts held by a depository institution as the trustee of an irrevocable trust — [12 C.F.R. § 330.12](#)
- Annuity contract accounts — [12 C.F.R. § 330.8](#)
- Public bond accounts — [12 C.F.R. § 330.15\(c\)](#)
- Custodian accounts for Native Americans — [12 C.F.R. § 330.7\(e\)](#)
- Accounts deposited by an IDI pursuant to the Bank Deposit Financial Assistance Program of the Department of Energy — [12 U.S.C. § 1817 \(i\)\(3\)](#)

The order in which the 14 ownership categories are discussed in this *Guide* is based on the frequency of interest in each category by depositors and bankers contacting the FDIC.

In the deposit insurance examples provided in this *Employee's Guide*, assume the account owners do not have any deposit accounts except those mentioned. Also, unless otherwise indicated, assume all owners and beneficiaries are alive.

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. Fiduciary accounts, held for a single account owner;
3. Accounts in the name of a deceased person or the estate of a deceased person;
4. Sole proprietorship accounts; and
5. Community property accounts held in the name of one person.

II. Insurance Limit

A deposit held by an individual in his or her own capacity in a single account is insured for a maximum of 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 account 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 revocable trust account.

2. A Fiduciary, Custodian, or Agency 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 FDIC 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 as a fiduciary account (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 is insured as his single account separately from the custodial account. Therefore, John’s MMDA with \$145,000 is insured separately from the UTMA account.

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.

Thus, although an estate may have beneficiaries, a decedent account is not eligible for deposit insurance coverage as a revocable trust account or for pass-through insurance to the beneficiaries.

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 revocable 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 account category. A sole proprietorship account with multiple signatories – but only one owner – will be insured as the sole owner's single account.

If deposit 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.

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.

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.

(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.

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.

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 account and revocable trust account 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 account 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 account 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 Account Category

Some accounts are owned by one person but not insured under the single account 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 either a revocable trust account or an irrevocable trust account, assuming all the requirements for those categories are met.
- Funds in an IRA are insured under the FDIC insurable category called “certain retirement accounts.”
- 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 revocable trust accounts.

JOINT ACCOUNTS ([12 C.F.R. § 330.9](#))

I. Definition

A joint account is a deposit owned by two or more individuals that satisfies the requirements set forth below.

II. Insurance Limit

Each co-owner of a joint account is insured up to \$250,000 for the combined amount of his or her interests in all joint accounts at the same IDI. In determining a co-owner's interest in a joint account, the FDIC assumes each co-owner is an equal owner unless the IDI records clearly indicate otherwise.

III. Requirements

- 1. Co-owners Must be Natural Persons:** A natural person is a human being; therefore, legal entities, such as corporations or trusts, cannot own a joint account.
- 2. Co-owners Must Have Equal Withdrawal Rights:** When an account purports to have three or more co-owners, it raises the issue of whether all co-owners have equal rights to withdraw from the joint account. For example, the account title “John Jones or Sally Jones and Mary Jones” suggests unequal withdrawal rights. Specifically, the titling suggests that John can withdraw funds by himself but Sally and Mary must act together to withdraw funds. As a result, account ownership is unclear and could result in uninsured funds. This situation can occur when the depositor and the IDI are attempting to establish an informal power of attorney (“POA”) arrangement. An example of such a scenario would be a parent allowing both children acting together to withdraw funds on behalf of the parent due to illness. Depositors may wish to consider whether to use a formal POA arrangement to avoid confusion with respect to deposit insurance determination. If the withdrawal rights are unequal, the account will not be insured as a joint account.
- 3. All Co-owners Must Personally Sign the Signature Card:** The general rule is that each co-owner must sign the joint account signature card. The FDIC recognizes electronic signatures. The FDIC waives the signature requirement in some cases. Negotiable instruments and CDs, for example, are exempt from the signature requirement. Depositors can hold negotiable instruments or CDs as joint accounts assuming they satisfy the other requirements of a joint account.

In addition, when an agent opens a joint account on behalf of his or her clients, the FDIC does not require the clients to *personally* sign the signature card, although the agent will be required to provide documentation proving ownership of the funds should the IDI fail.

IV. Co-owned Testamentary Accounts are not Insured as Joint Accounts

As with single accounts, a common misunderstanding among depositors and IDI employees is that a jointly held account which names beneficiaries is insured under the joint account category. However, the joint account definition does not include co-owned testamentary accounts. If two or more people own an account that they title as a payable-on-death account (or with similar testamentary language), and identify beneficiaries, their account will be analyzed as a revocable trust account.

Example 4: Two co-owners of a joint account are each insured up to the SMDIA		
Account Title	Deposit Type	Balance
Cathy or Rich Rush	CD	\$500,000
Total		\$500,000

Example 4

Facts:

Cathy and Rich Rush have a jointly held CD (with equal withdrawal rights) at ABC Bank for \$500,000. They want to know if they are fully insured.

Rules:

- (a) Each co-owner of a joint account is insured up to \$250,000 for the combined amount of his or her interests in all joint accounts of the same IDI.
- (b) The FDIC assumes each co-owner is an equal co-owner unless the IDI records clearly indicate otherwise.

Answer:

In this case, Cathy and Rich co-own only one joint account. The FDIC assumes each of the two depositors owns half of the joint account. Cathy's half of the \$500,000 is \$250,000; therefore, she is fully insured. Similarly, Rich is fully insured since his half of the account is \$250,000.

Insurance coverage for each joint account owner is calculated as follows:

Joint Account Owner	Co-owner's Interest	Insured Amount	Uninsured Amount
Cathy Rush	\$250,000	\$250,000	\$0
Rich Rush	\$250,000	\$250,000	\$0
Total	\$500,000	\$500,000	\$0

Example 5

Coverage for multiple joint accounts with multiple owners can be complex. Below is an example of some joint accounts at the same IDI held by three owners.

Example 5: Different co-owners and multiple joint accounts		
Account Title	Deposit Type	Balance
Mary Smith or John Smith <i>DBA Smith's Apple Pies</i>	DDA	\$230,000
John Smith or Mary Smith	Savings	\$250,000
Mary Smith or John Smith or Robert Smith	CD	\$270,000
Total		\$750,000

Facts:

Mary and John Smith co-own an unincorporated business, Smith's Apple Pies. They opened a joint DBA account at XYZ Bank to keep track of their funds. They have equal withdrawal rights and each signed the signature card. At the same IDI, John and Mary also keep their joint savings account. Mary and John also co-own a CD with Robert Smith.

Mary and John believe everyone is fully insured because there are three joint account owners and a total balance of \$750,000. What is the deposit insurance coverage for these accounts?

Rules:

- (a) Each co-owner of a joint account is insured up to \$250,000 for the combined amount of his or her interests in all joint accounts of the same IDI.
- (b) The FDIC assumes each co-owner is an equal owner unless the IDI records clearly indicate otherwise.
- (c) A DBA account can be insured under the joint account category but only if it meets the requirements of a joint account (owners are natural persons, have equal withdrawal rights, and have signed the signature card).

Answer:

Insurance coverage for each joint account owner is calculated as follows:

Joint Account Owner	Co-owner's Interest	Insured Amount	Uninsured Amount
Mary Smith	\$330,000	\$250,000	\$80,000
John Smith	\$330,000	\$250,000	\$80,000
Robert Smith	\$90,000	\$90,000	\$0
Total	\$750,000	\$590,000	\$160,000

The DBA account is insured as a joint account because there are two owners (not simply two signatories) and the account meets the FDIC's joint account requirements.

To determine each co-owner's share of a joint account, the FDIC assumes each co-owner is an equal owner. In this case, Mary owns \$330,000 in the joint account category: half of the DDA (\$115,000), half of the savings accounts (\$125,000), and one third of the CD (\$90,000). Mary's joint account deposits are insured for up to \$250,000; therefore, Mary has \$80,000 in uninsured deposits.

Similar to Mary, her co-owner John has \$330,000 on deposit among three joint accounts and has \$80,000 in uninsured funds. Robert is one of three co-owners of the CD; therefore, he owns one third of the CD (\$90,000) and is fully insured.

In this example, although no one co-owner has more than \$250,000 in any one account, it is the total of the co-owner's funds in all joint accounts that is insured up to the SMDIA.

V. DBA Account With Multiple Owners

In rare cases, such as in the above example, a DBA account has two or more owners. Provided that the two-owner DBA account satisfies the FDIC's joint account requirements, it will be insured in the same manner as any other joint account. Please note that some DBA accounts have multiple signatories who are not all owners. In example 5 above, if Mary is the sole owner and John is merely signing as Mary's agent, the account would be insurable as Mary's single account as it would not meet the requirements of a joint account.

Example 6

Facts:

John and Mary Smith have a joint savings account with \$300,000 at Any Bank. This is their only account at this IDI and it is held as a “joint account with right of survivorship.” While they are both alive, they are fully insured for up to \$500,000 under the joint account category. After John passes away, what is the deposit insurance coverage?

Rule - The Six Month Grace Period

(a) For up to six months² after the death of an account owner, the FDIC continues to insure the decedent account as though he or she were still alive, assuming the titling of the account remains unchanged. In effect, the deceased is still considered an account owner.

(b) After the six-month grace period ends, the FDIC will insure the deposits based on the actual ownership of the funds and will not consider the deceased as an account owner. As a result, calculating deposit insurance based on the actual ownership may cause funds to revert from the joint account category to the single account category.

Answer:

During the six-month grace period, the FDIC continues to insure Mary’s account for up to \$500,000 under the joint account category. Mary is the only owner who can withdraw the funds. Even though John has passed away, he is still considered a joint account owner.

² Calendar days

Example 6: Two co-owners of a joint account after one owner dies and <u>during</u> the six-month grace period				
Account Title	Deposit Type	Balance	Insured Amount	Uninsured Amount
John Smith & Mary Smith	Savings Account	\$300,000	\$300,000	\$0
Total		\$300,000	\$300,000	\$0

After the grace period, deposit insurance is based on the actual ownership of the funds. Since Mary is the sole owner, the deposit will be insured as a single account. The funds, in other words, will be insured in the single account category. Therefore, Mary is insured for up to \$250,000 under her single account category and uninsured for \$50,000.

Example 6: Coverage of a joint account when one owner has died and <u>after</u> the expiration of the six-month grace period				
Account Title	Deposit Type	Balance	Insured Amount	Uninsured Amount
Mary Smith	Savings Account	\$300,000	\$250,000	\$50,000
Total		\$300,000	\$250,000	\$50,000

Most joint accounts are held with rights of survivorship, which means ownership passes from decedent (John) to survivor (Mary). In the above example, Mary was the sole surviving owner; therefore, the funds are insured in the single account category after the expiration of the six-month grace period.

While most joint accounts are held with rights of survivorship, in rare instances joint account owners are “tenants in common,” which means ownership does not necessarily pass from decedent to survivor. Instead, each co-owner can bequeath his or her share of the account to whomever he or she chooses. For deposit insurance purposes, the FDIC does not distinguish between the two types of joint accounts and the six-month rule applies to both types.

VI. Common Misconceptions

Deposit insurance coverage for joint accounts **is not** increased by:

- Using one owner’s social security number on one account and another owner’s social security number on a different joint account;
- Rearranging the owners’ names or changing the styling of their names; or
- Alternating the use of “or,” “and,” or “and/or” to separate the names of co-owners in multiple joint account titles. For example, an account titled “Albert and Mary Bolles” is not insured separately from an account titled “Mary or Albert Bolles.”

REVOCABLE TRUST ACCOUNTS [\(12 C.F.R. § 330.10\)](#)

Disclaimer

This section explains FDIC insurance coverage for revocable trust accounts and is not intended as estate planning advice or guidance. Depositors should contact a legal or financial advisor for assistance with estate planning.

I. Definition

A revocable trust account is a testamentary deposit account owned by one or more people expressing the intent that upon the death of the owner(s), the deposited funds will pass to one or more named beneficiaries. A revocable trust account can be revoked, terminated, or amended at the discretion of the owner(s). The ability to amend a revocable trust account includes the right to change beneficiaries and beneficiary allocations.

FDIC deposit insurance regulations provide for two types of revocable trusts — informal revocable trusts and formal revocable trusts:

- 1. Informal Revocable Trusts** – often called payable-on death (“POD”), in-trust-for (“ITF”), as trustee for (“ATF”), or *Totten trust* accounts – are created when an account owner signs an agreement, which is usually part of the IDI’s signature card, directing the IDI to transfer the funds in the account to one or more named beneficiaries upon the owner’s death.
- 2. Formal Revocable Trusts** – known as living or family trusts – are written agreements created for estate planning purposes. The owner controls the deposits and other assets in the trust during his or her lifetime. The agreement establishes that the deposits are to be paid to one or more identified beneficiaries after the owner’s death. The trust generally becomes irrevocable upon the owner’s death. Typically, formal revocable trust agreements will refer to the trust owner as the grantor, settlor, trustor, maker or donor.

The FDIC applies the same set of regulations in calculating insurance coverage for both informal and formal revocable trust deposits. All funds that a depositor holds in informal and formal revocable trust accounts at an IDI are added together for deposit insurance purposes, and the insurance limit is applied to the combined total. Please note that formal trusts often describe the distribution of assets other than funds in the IDI. The FDIC rules strictly pertain to reviewing the trust agreement to determine how the funds in the deposit account will be distributed after the death of the owner(s). FDIC does not consider nondeposit assets in calculating deposit insurance coverage.

II. Insurance Limit

In general, the owner of a revocable trust account is insured up to \$250,000 per each primary beneficiary. The exact amount of coverage depends on the number of beneficiaries.

When the number of beneficiaries is five or fewer, the calculation of coverage is simple: the number of owners multiplied by the number of beneficiaries multiplied by \$250,000. If the product is greater than the aggregate balance of the accounts, the funds will be fully insured. If the product is less than the aggregate balance of the accounts, the excess will be uninsured.

When the number of beneficiaries is greater than five, and the aggregate balance of the accounts exceeds five times \$250,000 (i.e., \$1,250,000), the calculation of coverage is more complicated. First, in accordance with the terms of the trust agreement, the funds are allocated to the various beneficiaries. Second, the insurance limit (the SMDIA) is applied separately to each beneficiary's interest. To the extent that any beneficiary's interest exceeds the SMDIA, the excess will be uninsured. At a minimum, however, the accounts (with more than five beneficiaries) will be fully insured up to five times \$250,000 (i.e., \$1,250,000).

III. Requirements

1. Trust Relationship Must be Reflected in the Account Title

Deposit insurance regulations mandate that the testamentary intent of a revocable trust account be manifested in the "title" of the account. In other words, the "title" must reflect that upon the revocable trust owner's death the account funds shall belong to one or more beneficiaries. For informal revocable trusts, this titling requirement can be satisfied by using commonly accepted terms such as, but not limited to, "in trust for," "as trustee for," "payable-on-death to," or any acronym therefor (e.g., "ITF," "ATF" or "POD"). 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 purposes of meeting this requirement, the term "title" includes the electronic deposit account records of the IDI. For informal revocable trusts, the FDIC will recognize an account as a revocable trust account if the IDI's electronic deposit account records identify (through a code or otherwise) the account as a revocable trust account. In other words, IDIs can meet the titling requirement by using an electronic code signifying the deposit as a POD account.

2. Beneficiaries Must be Identified in the IDI Records

FDIC regulations require that the specific names of the beneficiaries must be reflected in the IDI's account records. This does not mean that the beneficiary names must be reflected in the account name or caption; provided that the name is in the IDI's records, i.e., on the signature card or account agreement, this requirement is deemed satisfied.

This requirement applies solely to informal revocable trust accounts. It does not apply to formal living trust accounts, where the beneficiaries are identified in the trust agreement.

3. Beneficiaries Must be Eligible

The rules provide that a deposit can be insured as a revocable trust account if either the revocable trust instrument or the deposit account records identify and designate an **eligible** beneficiary.

An eligible beneficiary must be one of the following:

- a) a natural person (human being);
- b) a charitable organization (that is recognized as such under the Internal Revenue Code); or
- c) a non-profit entity (that is recognized as such under the Internal Revenue Code).

Eligible beneficiaries identified in a formal revocable trust document or, in the case of an informal revocable trust, in the IDI's deposit account records, are the basis for determining the maximum deposit insurance coverage available for an owner's revocable trust account(s).

In some trusts, grantors designate beneficiaries which are not eligible. Those beneficiaries generally fall within two categories: ineligible and invalid. The distinction between the two is as follows: an ineligible beneficiary does not meet the requirements of an eligible beneficiary but is still able to legally receive the bequest under state law. Ineligible beneficiaries include, but are not limited to, for-profit business entities and pet trusts. For purposes of calculating deposit insurance coverage, when a beneficiary is ineligible, the result is a reversion of the funds to the single account of the grantor.

Conversely, an invalid beneficiary is unable to legally receive the bequest under state law. For example, under some state laws, a pet might be an invalid beneficiary. Depositors should consult an attorney with respect to specific state laws.

For purposes of calculating deposit insurance coverage, bequests to invalid beneficiaries are ignored and funds are allocated to the remaining beneficiaries.

Reversion of funds

Deposit insurance regulations provide that if a beneficiary does not meet the definition of an eligible beneficiary, the funds corresponding to that beneficiary shall not be insured as revocable trust deposits, but as the single ownership funds of the owner(s).

**Example 7:
One owner of a living trust account with one ineligible beneficiary
and a single account**

Account Title	Balance
Jack Smith Living Trust (the sole remaining beneficiary is a pet trust)	\$200,000
Jack Smith	\$100,000

Example 7**Facts:**

Jack Smith is the owner of the Jack Smith Living Trust that was established twenty years ago and designated his parents as the primary beneficiaries. Jack's parents are both now deceased, leaving no living beneficiaries and a pet trust as the sole beneficiary of the trust. Jack establishes at his local IDI an account in the name of the Jack Smith Living Trust with a balance of \$200,000. At the same IDI, Jack also holds a single account titled in his name with a balance of \$100,000. These two accounts are the only deposits owned by Jack at the IDI. Jack is inquiring about his deposit insurance coverage.

Rule:

When a revocable trust names an ineligible beneficiary, the funds allocated to that beneficiary are insured as the single ownership funds of the owner(s).

Answer:

Although a pet trust may be a valid trust beneficiary under applicable state law, it is not an eligible beneficiary for deposit insurance purposes. FDIC regulations, therefore, require that the full \$200,000 balance of the Jack Smith Living Trust account be insured as Jack's single account. Since Jack also has a \$100,000 single account in his name at the same IDI, his combined deposits are not fully insured. Instead, his single accounts are insured for \$250,000 and uninsured for \$50,000.

Examples of invalid beneficiaries:

- a) a fictional person;
- b) any object or entity that does not meet the requirements of an eligible beneficiary and would not be eligible to receive the bequest under state law when the owner dies.

Reversion of funds

If an invalid beneficiary designation is made, the FDIC will ignore the designation in calculating deposit insurance coverage and insure the funds in the ownership category that applies to the owner(s).

Example 8:

POD account with two owners and one invalid beneficiary; one single account

Account Title	Balance
Jane and Robert Smith ITF Sherlock Holmes	\$40,000
Jane Smith	\$220,000

Example 8

Facts:

Jane and Robert Smith are owners of a \$40,000 POD account that designates as beneficiary Sherlock Holmes, their favorite character from a book.

At the same IDI where that POD account is held, Jane Smith also has a single ownership account with a balance of \$220,000. These two accounts are the only deposits owned by Jane and Robert at the IDI.

Rules:

- (a) When a revocable trust names an invalid beneficiary, allocation of funds to that beneficiary is deemed to have never occurred.
- (b) When an account does not meet the requirements of a particular category, the funds will revert to the single account category. There is no six-month grace period for deceased beneficiaries.

Answer:

Since Sherlock Holmes is a fictional character, he is neither a valid beneficiary under applicable state law nor an eligible beneficiary for deposit insurance purposes. Therefore, the FDIC will ignore the POD designation and view it as if it had never occurred. As a result, with no designated beneficiary, the account will not be insured as a revocable trust account. Instead the funds will be insured based solely on the actual account ownership. Since the account is owned jointly by Jane and Robert with the two of them having equal withdrawal rights and, from a deposit insurance perspective, naming no beneficiaries, the POD account will be insured as a joint ownership account. Moreover, since neither Jane nor Robert have any other joint deposits at the IDI, the account is eligible for up to \$500,000 in deposit insurance coverage as a joint account and is fully insured. Jane's \$220,000 single account at the same IDI is fully insured, since it is the only single account owned by Jane at that IDI.

Account Title	Owners	Ownership Category	Account Balance	Insured Amount	Uninsured Amount
Jane and Robert Smith	Jane and Robert Smith	Joint account	\$40,000	\$40,000	\$0
Jane Smith	Jane Smith	Single account	\$220,000	\$220,000	\$0

When co-owners of a revocable trust account are the sole beneficiaries

FDIC regulations provide that where the co-owners of a revocable trust account are themselves the sole beneficiaries of the corresponding trust, the account shall be insured as a joint account. Such an account would not be insured as a revocable trust account because it does not express a testamentary intent that upon both owners' death the funds shall belong to one or more designated beneficiaries. An example of such a scenario would be an account titled "Husband and Wife" and made payable on death to "Husband and Wife." See the section of this *Guide* entitled "Death of an Account Owner" for the rules that would apply if one of the co-owners were to die.

Deposits opened “POD to a revocable trust”

If an informal revocable trust account designates as beneficiary a formal revocable trust wholly owned by the accountholder, the FDIC will consider the beneficiaries of the POD account to be the beneficiaries of the formal revocable trust. The FDIC will insure the deposit as an account titled in the name of the formal trust. This treatment is applicable only if the owner (or co-owners) of the deposit account own 100% of the formal revocable trust named as beneficiary. In other words, the owner of the POD account must be the owner of the formal revocable trust.

Thus, an account owned by John Smith that is titled “John Smith POD to the John Smith Revocable Trust” would be insured as if the account were titled in the name of John Smith’s formal trust. The beneficiaries of the John Smith Revocable Trust would be considered the beneficiaries of the POD account. Similarly, an account owned by John and Mary Smith that is titled “John and Mary Smith POD John and Mary Smith Family Living Trust” would be insured the same as an account titled in the name of the co-owned trust.

Reversion of funds

If a POD account names as a beneficiary a formal revocable trust owned in whole or part by someone other than the accountholder, the account will be deemed to have designated an ineligible beneficiary and will be insured as the single ownership funds of the accountholder.

Example 9: POD accounts naming formal revocable trusts as beneficiaries				
Account Title	Owner	Beneficiaries	Deposit Type	Account Balance
Kevin Upton POD	Kevin	Kevin Upton Living Trust (Theresa and Tommy, Beneficiaries)	CD	\$380,000
Kevin Upton POD	Kevin	Theresa Upton Living Trust (Kevin and Tommy, Beneficiaries)	CD	\$50,000
Total				\$430,000

Example 9**Facts:**

Kevin Upton is the grantor of the Kevin Upton Living Trust that designates his wife and son, Theresa and Tommy, as primary beneficiaries. Kevin has two deposit accounts at his local IDI – a \$380,000 CD payable on death to his own Kevin Upton Living Trust, and a \$50,000 CD payable on death to his wife's Theresa Upton Living Trust (which names Kevin and Tommy as its sole beneficiaries). What is Kevin's deposit insurance coverage?

Rules:

- (a) When an individual designates his formal revocable trust as beneficiary of an informal revocable trust account, the FDIC will consider the beneficiaries of the trust to be the beneficiaries of the POD account.
- (b) When a revocable trust designates an ineligible beneficiary, the FDIC will insure the funds allocated to that ineligible beneficiary as the single ownership funds of the owner(s).

Answer:

Since Kevin designated his own formal revocable trust as beneficiary of the \$380,000 CD, the FDIC considers Theresa and Tommy to be the account beneficiaries and will insure the account for up to \$500,000 (1 owner x 2 beneficiaries x \$250,000).

In contrast, Kevin's naming of another person's (Theresa's) revocable trust as beneficiary of the \$50,000 CD is an ineligible beneficiary designation. As a result, that account will be insured as Kevin's single account. Since Kevin has no other single accounts at this IDI, the \$50,000 CD is also fully insured.

Owner	Beneficiaries	Insurance Category	Amount On Deposit	Amount Insured	Amount Uninsured
Kevin Upton	Theresa and Tommy	Kevin Upton's Revocable Trust Account	\$380,000	\$380,000	\$0
Kevin Upton	Theresa Upton's Trust	Kevin Upton's Single Account	\$50,000	\$50,000	\$0

IV. Process for Calculating Insurance Coverage for Revocable Trust Accounts

In order to accurately calculate (a) if the revocable trust funds on deposit at an IDI are fully insured and/or (b) the maximum available deposit insurance coverage for revocable trust accounts, there are several questions that must be answered:

1. Who are the Owners of the Revocable Trust Account(s)?

It is the trust relationship between an owner and a beneficiary that forms the basis for FDIC deposit insurance coverage of revocable trust accounts. Thus, the identification of those parties is necessary for calculating coverage.

For informal revocable trust accounts, the depositor/accontholder is the owner of the account.

For formal revocable trust accounts, the owner is usually referred to as a settlor, trustor, grantor, donor, maker, or creator of the trust. **Often, an owner can be a trustee but trustee or successor trustee designations are irrelevant for purposes of calculating deposit insurance coverage.**

2. Who Are the Primary Unique Beneficiaries Upon the Death of the Owners?

A primary unique beneficiary is the person or entity entitled to an interest in the trust deposits when the owner dies.

Sometimes the trust agreement will provide that if a primary beneficiary predeceases the owner, the deceased beneficiary's share will pass to an alternative or contingent beneficiary. Regardless of such language, if the primary beneficiary is alive at the time of an IDI's failure, only the primary beneficiary, and not the alternative or contingent beneficiary, is taken into account in calculating deposit insurance coverage. For deposit insurance purposes, a beneficiary's interest in the trust deposits as of the date of an IDI's failure must not depend upon the death of another beneficiary.

In formal revocable trusts, while the naming of specific persons is preferable, it is not required provided the description of the beneficiaries is sufficient to determine their identities and beneficial interests. For example, descriptions of beneficiaries that can be specifically verified such as "my parents," "my issue (children)," "my spouse," "my grandchildren," are all acceptable. However, a designation such as "my family" is not specific enough and would not be acceptable.

A common situation in formal revocable trust agreements is the existence of a life estate beneficiary who has the right to receive either income or the use of some or all of the trust assets during his or her lifetime, with the remaining trust assets passing to remainder beneficiaries upon the life estate beneficiary's death. In the case of such trusts, both the life estate and the remainder beneficiaries are considered primary beneficiaries for purposes of calculating deposit insurance coverage. In most trusts, the life estate beneficiary is the surviving spouse.

3. Are the Primary Unique Beneficiaries "Eligible"?

To be deemed "eligible" for deposit insurance purposes, the primary unique beneficiary must be a natural living person or a charity or non-profit entity that is recognized as such under the Internal Revenue Code. If a named beneficiary is ineligible, for instance, a pet trust or for-profit entity, the funds allocated for that beneficiary will be insured as the single account of the revocable trust owner. If the beneficiary is a pet or other object that could not claim the funds even under applicable state law, the allocation of funds to that beneficiary will be deemed to have never occurred. Therefore, the funds would be insured as the single account of the revocable trust owner.

4. Are the Primary Unique Beneficiaries Identified in the IDI’s Deposit Account Records (for Informal Trusts) or in The Trust Agreement (for Formal Trusts) Alive at the Time an IDI Fails?

A deceased person is not an eligible beneficiary and the death of a beneficiary can impact the calculation of deposit insurance coverage. Unlike the six-month grace period that applies when an account owner dies, there is no six-month grace period for the death of a revocable trust beneficiary. As a result, unless there is a substitute beneficiary designated to take the place of a primary beneficiary who dies, the amount of deposit insurance coverage for a revocable trust deposit may substantially decrease with the death of the primary beneficiary. It is recommended that trust owners review their deposit insurance coverage whenever a beneficiary dies.

5. What is the Dollar Amount or Percentage Interest Each Owner Has Allocated to Each Primary Beneficiary?

The calculation for revocable trusts relies primarily on an owner’s total ownership interest in all revocable trust deposits at an IDI, as well as the number of unique eligible beneficiaries named.

6. Does the Revocable Trust Owner Have Any Other Revocable Trust Accounts in the Same IDI?

In order to accurately calculate deposit insurance coverage for an owner’s revocable trust deposits at an IDI, the FDIC combines the interests of all beneficiaries the owner has named in all of the owner’s revocable trust accounts—formal and informal—held at the IDI.

7. Are All the Revocable Trust Accounts Properly Titled?

The account title for each owner’s revocable trust accounts at an IDI must indicate that the account is held pursuant to a trust relationship. For formal revocable trust accounts, this rule can be met by using the terms living trust, family trust, or any similar language, including simply having the word “trust” in the account title. For informal trusts, descriptive testamentary language such as “POD”, “ITF” or “ATF” is sufficient. For informal revocable trust accounts, the “account title” includes information contained in the IDI’s electronic deposit account records.

V. Five or Fewer Unique Beneficiaries Designated and Revocable Trust Deposits for Each Trust Owner Totaling \$1,250,000 or Less

If a revocable trust owner is attempting to insure \$1,250,000 or less, with five or fewer unique eligible beneficiaries, then the maximum available deposit insurance coverage for those accounts is calculated by multiplying \$250,000 times the number of unique beneficiaries named by the owner: number of owners multiplied by the number of unique eligible beneficiaries multiplied by \$250,000 equals the insurable amount.

If there are two or more owners of the accounts, each owner's insurance coverage is calculated separately.

Maximum insurance coverage for one trust owner when there are five or fewer unique beneficiaries	
Number of Unique Beneficiaries	Maximum Deposit Insurance Coverage
1 Beneficiary	\$250,000
2 Beneficiaries	\$500,000
3 Beneficiaries	\$750,000
4 Beneficiaries	\$1,000,000
5 Beneficiaries	\$1,250,000

This calculation for revocable trust accounts with five or fewer beneficiaries is made without regard to the amount of money or percentage allocated to any of the beneficiaries.

Example 10:

POD accounts totaling less than \$1,250,000 for one owner designating three unique beneficiaries

Account Title	Owner	Beneficiaries	Deposit Type	Account Balance
Rebecca Ross POD	Rebecca	Russell, Rosalind	MMDA	\$50,000
Rebecca Ross POD	Rebecca	Russell	Savings	\$20,000
Rebecca Ross POD	Rebecca	Jeremy	CD	\$650,000
Total				\$720,000

Example 10**Facts:**

Rebecca Ross has three revocable trust accounts at an IDI totaling \$720,000. For one account, Rebecca names her two siblings as beneficiaries, Russell and Rosalind. Russell is the sole beneficiary on the second account, and Rebecca's son, Jeremy, is named as the sole beneficiary on the last account.

Rule:

When an owner has multiple revocable trust accounts totaling less than \$1,250,000, and naming five or fewer eligible beneficiaries, the trust accounts are added together and the owner receives up to \$250,000 in deposit insurance coverage for each unique beneficiary. The formula used is number of owners multiplied by the number of unique eligible beneficiaries multiplied by \$250,000 equals the insurable amount.

Answer:

The maximum available deposit insurance coverage for Rebecca's revocable trust accounts is calculated by multiplying \$250,000 times three beneficiaries, which equals \$750,000. Thus, Rebecca's \$720,000 deposit is fully insured, despite the fact that Jeremy is designated to receive the bulk of the deposit with Russell and Rosalind allocated much smaller amounts: 1 owner x 3 beneficiaries x \$250,000 = \$750,000.

➤ **Revocable Trust Accounts**

Owner	Beneficiaries	Maximum Available Deposit Insurance	Amount Insured	Amount Uninsured
Rebecca	Russell, Rosalind, Jeremy	\$750,000	\$720,000	\$0

This example illustrates the single biggest misconception that the FDIC observes concerning the calculation of deposit insurance coverage for revocable trust accounts. The misconception is that deposit insurance coverage is determined by counting or adding the total number of owners and beneficiaries listed on a POD account. In this example, using the incorrect “counting heads” method, depositors will add the number of individuals identified, which is four (Rebecca plus Russell plus Rosalind plus Jeremy). Depositors will then multiply that number by \$250,000 and erroneously conclude that the coverage is \$1,000,000 instead of \$750,000.

To accurately calculate deposit insurance coverage for revocable trust accounts, in general, the FDIC uses the formula of number of owners multiplied by the number of unique eligible beneficiaries multiplied by \$250,000 equals the insurable amount.

VI. Six or More Unique Beneficiaries Designated and Revocable Trust Deposits Totaling Less Than \$1,250,000 Per Trust Owner

If a revocable trust owner is attempting to insure **\$1,250,000 or less**, with six or more unique eligible beneficiaries, then the owner’s revocable trust deposits are fully insured even if the owner has allocated different or unequal percentages to multiple beneficiaries. The revocable trust regulations provide that revocable trust deposits owned by an individual naming six or more eligible beneficiaries on his or her accounts are insured for at least \$1,250,000, without regard to the amount of money allocated to any of the beneficiaries.

➤ **Revocable Trust Accounts**

Example 11: Revocable trust accounts totaling \$1,250,000 or less for one owner designating six or more unique beneficiaries				
Account Title	Owner	Beneficiaries	Deposit Type	Account Balance
Bradley Simon Living Trust	Bradley	Linda, James and Justin	CD	\$1,100,000
Bradley Simon POD	Bradley	Calvin, Karen, Mary, and Matthew	MMDA	\$10,000
Total				\$1,110,000

Example 11

Facts:

Bradley Simon has two revocable trust accounts at an IDI totaling \$1,110,000. One account is a \$1,100,000 CD in the name of his revocable living trust, which designates his wife and two children – Linda, James and Justin – as beneficiaries. The second account is a \$10,000 MMDA which is payable on death to his four siblings – Calvin, Karen, Mary and Matthew. Bradley is inquiring whether his deposits in the total amount of \$1,110,000 are fully insured.

Rule:

When an owner has multiple revocable trust accounts naming six or more beneficiaries, and the aggregate balance of those accounts is \$1,250,000 or less, then the owner's revocable trust deposits are fully insured, regardless of the trust distributions to the beneficiaries.

Answer:

Since Bradley has named a total of seven eligible beneficiaries on his revocable trust accounts and the combined balance of those accounts does not exceed \$1,250,000, Bradley's revocable trust deposits are fully insured by the FDIC. In this instance, the bulk of the revocable trust deposits are allocated to Bradley's wife and children in his living trust account and smaller amounts are allocated to his siblings through the POD account. However, since the combined amount is less than \$1,250,000, the particular distribution to the beneficiaries is not relevant.

➤ **Revocable Trust Accounts**

Owner	Beneficiaries	Minimum Available Deposit Insurance	Amount Insured	Amount Uninsured
Bradley	Linda, James, Justin, Calvin, Karen, Mary, and Matthew	\$1,250,000	\$1,110,000	\$0

VII. Six or More Unique Beneficiaries with EQUAL Interests Designated and Revocable Trust Deposits Totaling More Than \$1,250,000 Per Trust Owner

If a revocable trust owner is attempting to insure more than \$1,250,000 and has designated six or more unique eligible beneficiaries with EQUAL interests (i.e., every beneficiary receives the exact same amount), the calculation is the same as for revocable trusts that name five or fewer beneficiaries. In other words, when the allocation to each and every one of the six or more beneficiaries is equal, the owner's revocable trust deposits are insured up to an amount equal to \$250,000 times the number of beneficiaries named in both informal and formal revocable trust deposits established by the owner in an IDI.

The calculation, therefore, is the number of owners of the trust or POD account multiplied by the number of unique beneficiaries multiplied by \$250,000 equals the insurable amount.

Maximum insurance coverage for each revocable trust owner when there are six or more unique beneficiaries with equal beneficial interests	
Number of Unique Beneficiaries	Maximum Deposit Insurance Coverage
6 Beneficiaries with Equal Interests	\$1,500,000
7 Beneficiaries with Equal Interests	\$1,750,000
8 Beneficiaries with Equal Interests	\$2,000,000
9 Beneficiaries with Equal Interests	\$2,250,000
10+ Beneficiaries with Equal Interests	add up to \$250,000 for each additional unique beneficiary

➤ Revocable Trust Accounts

Below is an example of revocable trust accounts with six beneficiaries with equal interests.

Example 12: Revocable trust accounts for two owners with six unique beneficiaries with equal beneficial interests		
Account Title	Deposit Type	Account Balance
Xavier and Maria Gomez Living Trust (Alonzo, Belinda, Carrie, Dominique, Elian, and Fernando, as Beneficiaries)	CD	\$2,500,000
Xavier and Maria Gomez POD to Alonzo, Belinda, Carrie, Dominique, Elian, and Fernando	MMDA	\$200,000

Example 12

Facts:

Xavier and Maria Gomez have two deposit accounts at an IDI. One account is titled in the name of their formal revocable living trust designating their six children as equal beneficiaries.

The other account is a co-owned informal revocable trust account that also names their children as equal beneficiaries. The combined balance of the accounts is \$2,700,000.

Rules:

(a) When owners of one or more revocable trust accounts name six or more beneficiaries who are entitled to an equal distribution from the account(s), each owner's shares of the multiple trust accounts are added together and each owner receives up to \$250,000 in insurance coverage for each unique beneficiary.

(b) The calculation to determine coverage is the number of owners multiplied by the number of unique eligible beneficiaries multiplied by \$250,000 equals the insurable amount.

➤ **Revocable Trust Accounts**

Answer:

Xavier and Maria each own one-half of the two revocable trust accounts for a total share of \$1,350,000 apiece. Since they each have more than \$1,250,000 in revocable trust deposits, their beneficiary allocations have to be analyzed. In this case, Xavier and Maria have each designated six unique beneficiaries to receive equal shares of the accounts. Therefore, Xavier and Maria are insured up to a maximum amount of \$3,000,000 (2 owners times 6 beneficiaries times \$250,000). Individually, each of them is insured up to \$1,500,000 (1 owner times 6 beneficiaries times \$250,000). Since their respective \$1,350,000 shares are less than \$1,500,000, Xavier and Maria's revocable trust accounts are fully insured.

Owner	Beneficiaries	Owner's Share	Maximum Available Deposit Insurance	Insured Amount	Uninsured Amount
Xavier	Alonzo, Belinda, Carrie, Dominique, Elias, and Fernando	\$1,350,000	\$1,500,000	\$1,350,000	\$0
Maria	Alonzo, Belinda, Carrie, Dominique, Elias, and Fernando	\$1,350,000	\$1,500,000	\$1,350,000	\$0
Total		\$2,700,000	\$3,000,000	\$2,700,000	\$0

➤ **Revocable Trust Accounts**

Each beneficiary's interest in the funds in the two accounts (the account in the name of the Gomez Living Trust and the POD account) is as follows:

Owner	Beneficiary	Beneficiary's Share	Maximum Available Deposit Insurance	Amount Insured	Amount Uninsured
Xavier	Alonzo	\$225,000	\$250,000	\$225,000	\$0
	Belinda	\$225,000	\$250,000	\$225,000	\$0
	Carrie	\$225,000	\$250,000	\$225,000	\$0
	Dominique	\$225,000	\$250,000	\$225,000	\$0
	Elias	\$225,000	\$250,000	\$225,000	\$0
	Fernando	\$225,000	\$250,000	\$225,000	\$0
Maria	Alonzo	\$225,000	\$250,000	\$225,000	\$0
	Belinda	\$225,000	\$250,000	\$225,000	\$0
	Carrie	\$225,000	\$250,000	\$225,000	\$0
	Dominique	\$225,000	\$250,000	\$225,000	\$0
	Elias	\$225,000	\$250,000	\$225,000	\$0
	Fernando	\$225,000	\$250,000	\$225,000	\$0
Total		\$2,700,000	\$3,000,000	\$2,700,000	\$0

VIII. Six or More Unique Beneficiaries With UNEQUAL Interests Designated and Revocable Trust Deposits Totaling More Than \$1,250,000

In requesting information regarding deposit insurance coverage for revocable trust accounts, depositors generally ask one of the following questions:

- 1. Based on the funds I have already deposited under my revocable trust, how much am I insured for at your IDI? or**
- 2. I am thinking of depositing funds at your IDI and opening a revocable trust account. What is the maximum deposit insurance coverage for my account, with no uninsured funds?**

While the questions may seem similar, the method of calculation of deposit insurance for each inquiry is different. Therefore, it is critical to establish which question the depositor is posing.

IDI employees should use the steps below for responding to the first question:

Based on the funds I have already deposited under my revocable trust, how much am I insured for at your IDI?

If in a revocable trust account, the owner is attempting to insure more than \$1,250,000 with six or more unique eligible beneficiaries with UNEQUAL beneficial interests, then the owner's trust deposits at each IDI will be insured for the greater of: (i) \$1,250,000, or (ii) the total of the specific allocations to all named beneficiaries up to \$250,000 per beneficiary.

To determine the insured amount for funds already on deposit for a revocable trust naming six or more beneficiaries with unequal allocations, follow these four steps:

Step 1– Identify all revocable trust deposits established by a specific owner in an IDI.

Step 2 – Determine the aggregate dollar allocation from the revocable trust owner to each unique beneficiary.

Step 3 – If the actual allocation under Step 2 to each beneficiary is \$250,000 or less, then the owner's entire revocable trust deposit is fully insured, even if the balance exceeds \$1,250,000. If the actual allocation under Step 2 to any beneficiary exceeds \$250,000, then to the extent the amount exceeds \$250,000, the excess amount is potentially uninsured.

Step 4 – If any beneficial interest exceeds \$250,000, then the owner is insured for the greater of (i) the sum of each beneficiary's share of the trust deposit up to \$250,000 for each beneficiary, or (ii) \$1,250,000.

Example 13:
Multiple POD accounts with a combined balance exceeding \$1,250,000 and naming six unique beneficiaries receiving unequal distributions

Account Title	Deposit Type	Account Balance
Mark POD Alice, Zack, Brandon, Charity	CD	\$1,400,000
Mark POD Nick	Savings	\$50,000
Mark POD Carol	Checking	\$50,000

Example 13

Facts:

Mark has three informal revocable trust accounts at an IDI. One account, a CD for \$1,400,000, designates Alice, Zack, Brandon and Charity as equal beneficiaries. The second account is a \$50,000 savings account designating Nick as beneficiary, and the third is a checking account with a \$50,000 balance that designates Carol as beneficiary. Mark wants to know whether his entire deposit of \$1,500,000 is fully insured.

Rule:

When the owner of one or more revocable trust accounts names six or more beneficiaries who receive unequal distributions from the accounts, the owner is insured for the greater of: (i) \$1,250,000, or (ii) the total of the specific allocations to all named beneficiaries up to \$250,000 per beneficiary.

Answer:

Step 1 – Mark has opened three revocable trust accounts at the IDI (with a combined balance of \$1,500,000).

Step 2 – For these three accounts, the actual dollar allocation from Mark to each beneficiary is set forth in the chart below.

Step 3 – If the allocation under Step 2 to any beneficiary exceeds \$250,000, the excess amount is potentially uninsured. In this case, there is potentially \$400,000 uninsured.

➤ **Revocable Trust Accounts**

Owner	Beneficiary	Beneficiary Allocation from POD	Beneficiary Allocation up to \$250,000	Potential Uninsured Amount
Mark	Alice	\$350,000	\$250,000	\$100,000
Mark	Zack	\$350,000	\$250,000	\$100,000
Mark	Brandon	\$350,000	\$250,000	\$100,000
Mark	Charity	\$350,000	\$250,000	\$100,000
Mark	Nick	\$50,000	\$50,000	\$0
Mark	Carol	\$50,000	\$50,000	\$0
Total		\$1,500,000	\$1,100,000	\$400,000

Step 4 – Although the interests (up to \$250,000) allocated to each beneficiary total \$1,100,000 with \$400,000 potentially uninsured, the FDIC insures revocable trust accounts naming six or more beneficiaries for at least \$1,250,000. Therefore, in this example, although Mark’s deposits were potentially uninsured for \$400,000, because the default insured amount under the regulations is \$1,250,000, Mark is insured for \$1,250,000 and uninsured for \$250,000.

**Example 14:
Multiple POD accounts with common owners and beneficiaries**

Account Title	Balance
Paul & Lisa Li Living Trust (John and Sharon, as beneficiaries)	\$700,000
Lisa Li POD to Paul, John and Sharon	\$450,000

Example 14**Facts:**

Paul and Lisa Li, husband and wife, are co-grantors of a revocable living trust which designates their two children, John and Sharon, as beneficiaries. At their local IDI, they have one deposit account in the amount of \$700,000 titled in the name of their living trust. Paul has no other deposits at the IDI, but Lisa has a second informal revocable trust account in the amount of \$450,000 payable on death to Paul, John and Sharon.

Rules:

(a) Deposit insurance coverage for an owner with multiple revocable trust deposits at a single IDI is calculated based on the total dollar amount of the owner's interest in those accounts and on the number of unique eligible beneficiaries named by the owner.

(b) When an owner has multiple revocable trust accounts totaling less than \$1,250,000, and naming five or fewer eligible beneficiaries, the owner's interests in the accounts are added together and the total balance insured for up to a maximum amount equal to \$250,000 times the number of eligible beneficiaries.

Answer:

Paul's share of the deposits is \$350,000, one-half of the balance of the revocable trust account he co-owns with Lisa. He named a total of two eligible beneficiaries. Therefore, his maximum available deposit insurance coverage is \$500,000 (one owner times two beneficiaries times \$250,000).

➤ **Revocable Trust Accounts**

Since Paul's aggregate revocable trust deposits are \$350,000 and therefore less than \$500,000, his deposits are fully covered by deposit insurance.

Lisa's share of the deposits is \$800,000, the sum of one-half of the co-owned account (\$350,000) added with 100% of her sole owned POD account (\$450,000). Lisa named a total of three eligible beneficiaries at the IDI. Therefore, the calculation for her deposit insurance coverage is one owner times three beneficiaries times \$250,000. Her revocable trust deposits are insured for up to \$750,000, with \$50,000 in uninsured funds.

Table of Paul Li's ownership interest:

Owner	Owner's Share of Revocable Trust	Beneficiaries	Beneficiary's Share	Maximum Available Deposit Insurance	Amount Insured	Amount Uninsured
Paul Li	\$350,000	John	\$175,000	\$250,000	\$175,000	\$0
		Sharon	\$175,000	\$250,000	\$175,000	\$0
Total	\$350,000				\$350,000	\$0

Table of Lisa Li's ownership interest:

Owner	Owner's Share of Revocable Trust	Beneficiaries	Beneficiary's Share	Maximum Available Deposit Insurance	Amount Insured	Amount Uninsured
Lisa Li	\$350,000 (from the formal trust) plus \$450,000 (from the POD)	John	\$325,000	\$250,000	\$750,000	\$50,000
		Sharon	\$325,000	\$250,000		
		Paul	\$150,000	\$250,000		
Total	\$ 800,000		\$800,000		\$750,000	\$50,000

IX. Informal Revocable Trust Accounts (Payable-on-Death)

Informal revocable trusts are commonly known as POD, ITF, or “Totten” trust accounts. These informal trusts are created when a deposit account owner indicates in the account title that, upon the depositor’s death, the deposits are to be payable to one or more beneficiaries. Informal revocable trust accounts are governed solely by the terms indicated in the IDI records, the account agreement and applicable state law.

Although the rules for calculating formal and informal trust deposits are the same, the following discussion highlights key issues of particular importance in analyzing deposit insurance coverage for informal revocable trust accounts.

1. Recordkeeping Requirements

The testamentary intent of the owner of an informal revocable trust account is evidenced solely by the account signature card or other account agreement between the owner and the IDI, and by the electronic records maintained by the IDI. FDIC regulations mandate that the following recordkeeping requirements be met in order for a deposit to qualify for insurance coverage under the revocable trust ownership category:

The account title, defined to include the electronic deposit account records maintained by the IDI, must reflect the testamentary nature of the account.

The testamentary nature of a revocable trust account must be manifested in the “title” of the account. For informal revocable trust accounts, this requirement is often satisfied by using commonly accepted terms such as, but not limited to, “in trust for,” “as trustee for,” “payable-on-death to,” or any acronym therefor (e.g., “ITF,” “ATF” or “POD”). The “title” of a revocable trust account is expressly defined to include the electronic deposit account records of the IDI. For this purpose, the designation can be as simple as a code in the IDI’s electronic deposit account records. Accordingly, if an IDI’s electronic records identify a deposit as a revocable trust account, the account will be insured as such.

The beneficiaries must be identified by name in the deposit account records of the IDI.

FDIC regulations further require that the specific names of the beneficiaries must be reflected in the IDI’s account records. This does not mean that the beneficiary names must be reflected in the account name or caption; provided that the name is in the IDI’s records, i.e., on the signature card or account agreement, this requirement is deemed satisfied. This requirement applies solely to informal revocable trust accounts. It does not apply to formal living trust accounts.

2. Coverage When There Are Multiple Owners and/or Beneficiaries

If an informal revocable trust account has more than one owner (for example, a husband and wife), the FDIC will assume that each owner has an equal share of the accounts unless the IDI's deposit account records indicate otherwise. Similarly, if an informal revocable trust account names two or more beneficiaries, the FDIC will assume that each beneficiary will receive an equal interest in the account unless otherwise stated in the IDI's deposit account records.

Example 15: POD account with two owners and six beneficiaries

Account Title	Balance
Ralph and Paula Miller POD to Sandra, Mildred, Ralph Jr., Clair, George, and Brian	\$2,700,000

Example 15

Facts:

Ralph and Paula Miller are co-owners of a CD in the amount of \$2,700,000, which names their six children, Sandra, Mildred, Ralph Jr., Clair, George and Brian, as beneficiaries. All parties are alive. Currently this is the only account held by Ralph and Paula at this IDI, but they are interested in establishing another CD account at the same IDI which names the same beneficiaries.

Rules:

(a) If a deposit account has multiple owners and/or multiple beneficiaries, the FDIC will assume that each owner's share of the deposit is equal to the other co-owners' interests, and that the allocation to the beneficiaries is equal.

(b) The maximum available deposit insurance coverage for revocable trust accounts naming six or more beneficiaries with equal beneficial interests is calculated using the following formula: the number of owners multiplied by the number of unique eligible beneficiaries multiplied by \$250,000.

Answer:

Since there are two co-owners, unless otherwise stated, the FDIC presumes that Ralph and Paula each own one-half of the deposit and that the six beneficiaries have each been allocated an equal, one-sixth interest in the deposit. With six or more beneficiaries sharing equally, the maximum available deposit insurance coverage for Ralph and Paula combined is \$3,000,000 – (2) owners times (6) beneficiaries times \$250,000. Thus, at this IDI, Ralph and Paula can open another CD titled in the same manner as the first for up to \$300,000. Provided that the combined balance of the accounts does not exceed \$3,000,000, Ralph and Paula's revocable trust deposits at the IDI will be fully insured.

Coverage can be stated as:

Ralph's ownership share of the deposit = \$1,350,000

Paula's ownership share of the deposit = \$1,350,000

Owner to Beneficiary	Owner to Beneficiary Allocation	Insured Amount	Maximum Available Coverage
Ralph POD to Sandra	\$225,000	\$225,000	\$250,000
Ralph POD to Mildred	\$225,000	\$225,000	\$250,000
Ralph POD to Ralph Jr.	\$225,000	\$225,000	\$250,000
Ralph POD to Clair	\$225,000	\$225,000	\$250,000
Ralph POD to George	\$225,000	\$225,000	\$250,000
Ralph POD to Brian	\$225,000	\$225,000	\$250,000
Paula POD to Sandra	\$225,000	\$225,000	\$250,000
Paula POD to Mildred	\$225,000	\$225,000	\$250,000
Paula POD to Ralph Jr.	\$225,000	\$225,000	\$250,000
Paula POD to Clair	\$225,000	\$225,000	\$250,000
Paula POD to George	\$225,000	\$225,000	\$250,000
Paula POD to Brian	\$225,000	\$225,000	\$250,000
Total	\$2,700,000	\$2,700,000	\$3,000,000

3. Coverage When an Owner Dies

When a co-owner of an informal revocable trust account dies, deposit insurance coverage for the deceased owner's interest in the account will cease after the expiration of the six-month grace period allowed for the death of deposit account owners. Deposit insurance coverage will be calculated as if the deceased co-owner did not exist and his or her name did not remain on the account.

This treatment of the account will be based upon the fact that all of the funds in the account will be owned by one person (i.e., the surviving co-owner).

Example 16: POD account with multiple owners and beneficiaries after an owner dies	
Account Title	Balance
Ralph and Paula Miller POD to Sandra, Mildred, Ralph Jr., Clair, George, and Brian	\$2,700,000

Example 16**Facts:**

A year after Ralph Miller's death, there is still outstanding a \$2,700,000 CD account in the names of Ralph and Paula Miller that designates their six living children as beneficiaries.

Rules:

(a) Subject to the expiration of a six-month grace period, the death of a co-owner of an informal revocable trust account will result in the account being insured as if the deceased co-owner did not exist and his or her name did not remain on the account.

(b) The maximum available deposit insurance coverage for each owner of revocable trust accounts naming six or more beneficiaries with equal beneficial interests is calculated as the number of owners multiplied by the number of unique eligible beneficiaries multiplied by \$250,000.

Answer:

Commencing six months after Ralph's death, deposit insurance coverage for the CD was reduced to \$1,500,000, calculated by multiplying \$250,000 times the number of beneficiaries named by Paula, the sole surviving account owner. This leaves the CD \$1,200,000 short of full coverage.

This example demonstrates the importance of reviewing deposit insurance coverage whenever the owner of a deposit account dies.

If Ralph dies, the deposit insurance coverage after the expiration of the six-month grace period is reduced:			
Owner to Beneficiary	Owner to Beneficiary Allocation	Insured Amount	Uninsured Amount
Paula POD to Sandra	\$450,000	\$250,000	\$200,000
Paula POD to Mildred	\$450,000	\$250,000	\$200,000
Paula POD to Ralph Jr.	\$450,000	\$250,000	\$200,000
Paula POD to Clair	\$450,000	\$250,000	\$200,000
Paula POD to George	\$450,000	\$250,000	\$200,000
Paula POD to Brian	\$450,000	\$250,000	\$200,000
Total	\$2,700,000	\$1,500,000	\$1,200,000

4. Death of a Beneficiary

The six-month grace period does not apply to the death of a beneficiary named on a revocable trust account. Unless there is an alternate or contingent beneficiary named, coverage will be reduced immediately. Upon the death of a beneficiary of an informal revocable trust account, the designation to the deceased beneficiary will be ignored for purposes of deposit insurance calculation.

**Example 17:
POD account with multiple beneficiaries when one beneficiary dies**

Account Title	Owner	Beneficiaries	Account Balance
Jonathan Stuart POD	Jonathan	Peter and Amy Stuart (parents)	\$255,000

Example 17**Facts:**

Jonathan Stuart has established a \$255,000 deposit account at an IDI that is payable on death to two beneficiaries, Peter and Amy. After the account was opened, Peter passed away. What is Jonathan's deposit insurance coverage?

Rules:

- (a) To be deemed the eligible beneficiary of a revocable trust account, an individual beneficiary must be living.
- (b) In calculating deposit insurance coverage for a deposit account, if the primary beneficiary is deceased and there is no provision for a substitute beneficiary in an account agreement, the designation to the deceased beneficiary will be ignored, as if it had never occurred.
- (c) There is no grace period for the death of a beneficiary.

Answer:

Peter's death has an immediate effect on the amount of deposit insurance available to Jonathan. With Peter's passing, the trust designation to him is ignored. Jonathan, therefore, is left with just one eligible beneficiary, so that the maximum available deposit insurance coverage for his informal revocable trust account drops from \$500,000 (1 owner x 2 beneficiaries x \$250,000) to \$250,000 (1 owner x 1 beneficiary x \$250,000). As a result, Jonathan's POD account is uninsured for \$5,000.

5. Accounts Opened POD to the Depositor's Formal Revocable Trust

A formal trust generally does not meet the definition of an eligible beneficiary for deposit insurance purposes. However, if a deposit designates as beneficiary a formal revocable trust wholly owned by the depositor/accontholder, the FDIC will insure the deposit as a revocable trust account. In such case, the FDIC will consider the beneficiaries of the trust to be the beneficiaries of the POD account and will insure the account as if it were titled in the name of the formal trust. This treatment is applicable only if the owner or co-owners of the deposit account own 100% of the formal revocable trust named as beneficiary.

6. Coverage When An Owner Has Multiple POD Accounts

The total amount of deposit insurance coverage available to a depositor with ownership interests in multiple revocable trust accounts at an IDI is calculated based on the depositor's aggregate revocable trust deposits, and on the total number of unique eligible beneficiaries designated by the depositor at the IDI.

X. Formal Revocable Trust Accounts (Living or Family Trust Accounts)

Formal revocable trusts, also known as "living" or "family" trusts, are created and governed by the terms of a separate revocable trust agreement, usually drafted by an attorney for estate planning purposes. The owner of a formal revocable trust agreement retains the right to control the deposits and other assets of the trust during his or her lifetime, and also reserves the right to amend or revoke the trust. Upon the owner's death, the trust deposits and other trust assets are distributed to one or more beneficiaries identified in the trust.

As noted in this chapter, the deposit insurance calculation for formal and informal trusts is the same. The following highlights some of the issues and considerations that may be encountered when calculating deposit insurance coverage for formal revocable trust accounts.

1. Titling of Accounts

For formal revocable trust accounts, satisfying the requirement that the revocable trust account title reflect the testamentary intent of the owner can easily be met by using a term such as "living trust," "family trust," "revocable trust," or "trust" in the account title. As an example, an account titled "The Peter Miller Revocable Trust" would meet the FDIC requirement. Often, there may be supplemental language in the title including the names of trustees and descriptive language such as the date the trust was created. This additional language is acceptable but unnecessary for FDIC insurance purposes.

2. Maintaining Copies of the Trust Agreement at the IDI

While the titling of an account in the name of a formal revocable trust is acceptable for deposit insurance purposes, the IDI is not mandated to retain a copy of the trust agreement. Some IDIs may maintain copies of certain pages or copies of the entire agreement. That is within the purview of the IDI, which may retain copies for its own business purposes. In order to determine coverage, the FDIC will request a copy of the agreement from the trustee or the grantor of the trust, if needed, should the IDI fail.

3. Identifying the Trust Owners

It is the entitlement created between revocable trust owners and beneficiaries that forms the basis for calculating deposit insurance coverage for a revocable trust account.

Formal revocable trusts commonly have either one or two owners who are identified in the trust agreement as the “settlers,” “trustors,” “grantors,” “donors,” “makers” or “creators.” This designation usually is specified on the first page of the trust agreement. (Revocable trusts listing three or more owners should be reviewed carefully to ensure that each named owner is in fact an actual owner of trust assets.) When multiple owners are identified, the FDIC assumes that each is an equal owner of the trust assets unless otherwise specified in the trust agreement.

It is not unusual for the owners of a trust to take on the additional role of trustee. The trustee is the person or entity given the responsibility to make distributions of the trust funds in accordance with the terms of the trust agreement. **Trustee and successor trustee designations are irrelevant to the calculation of deposit insurance coverage for a revocable trust account.**

4. Identifying Beneficiaries

For deposit insurance purposes, beneficiaries are those persons or entities who shall become entitled to the trust funds upon the death of the last trust owner.

In identifying the beneficiaries of a formal revocable trust, search for those sections or paragraphs that provide instructions for the distribution of the trust funds following the death of the last owner. It is not necessary that the beneficiaries be individually identified in the trust agreement by name, but the designation must be specific enough to clearly identify the intended beneficiary, e.g., “to my children and grandchildren.” In addition, designations such as “my issue” or “descendants per stirpes” are acceptable.

However, a designation such as “my family” is not specific enough and would not be acceptable. Please note that a section outlining the designation of trustees or successor trustees in the event of the incapacitation of the grantor does not indicate who would be the beneficiaries upon the death of the grantor.

Some grantors may designate a special needs trust as the beneficiary of their trust. In calculating deposit insurance coverage, the FDIC will look through the special needs trust to the ultimate beneficiary of that trust and deem that individual to be an eligible beneficiary.

➤ Revocable Trust Accounts

Under the terms of some living trust agreements, the death of a trust owner results in the creation of two or more trusts. If a trust agreement provides that the trust funds shall pass into one or more new trusts upon the death of one or both owners, the future trusts are not treated as beneficiaries of the revocable trust before the death of any owner. Rather, the future trusts are viewed simply as mechanisms for distributing the trust funds, and the beneficiaries are the persons and/or entities who shall receive the trust funds through the future trusts.

Some grantors may also indicate in their trust agreement that the beneficiaries are identified in the grantor's last will and testament. Such a designation is acceptable provided that the beneficiaries in the last will and testament are identifiable as eligible beneficiaries. If the beneficiaries of a trust agreement are identified in the grantor's will, the FDIC may need a copy of the will to determine deposit insurance coverage, if the IDI fails.

The following are additional guidelines relating to the identification of eligible beneficiaries of a formal revocable trust account.

An owner of a trust is not treated by the FDIC as a beneficiary of the trust

For deposit insurance purposes, beneficiaries are those persons, charities or not-for-profit entities who shall become entitled to the trust funds following the death of the last owner. While a grantor of a formal trust "benefits" from the trust during his or her lifetime, for deposit insurance purposes, a grantor is not treated as a beneficiary of his or her own trust.

In addition, although formal revocable trusts co-owned by two individuals (for example, a husband and wife) frequently provide for lifetime payments to the surviving owner following the death of the first owner, a co-owner will not be counted as a beneficiary in calculating deposit insurance coverage for such trusts.

Life estate beneficiaries

Some formal revocable trusts provide that a beneficiary has the right to receive income from the trust or to use trust assets during the beneficiary's lifetime (known as a life estate interest), and after that life estate beneficiary dies, other beneficiaries are to share the remaining trust assets. In such a case, the FDIC will recognize the life estate beneficiary as well as the remainder beneficiaries in determining insurance coverage. For cases in which the number of beneficiaries is six or more (so that a specific amount of the funds in the revocable trust account(s) must be allocated to each of the various beneficiaries), the FDIC's rules provide that \$250,000 shall be allocated to a life estate beneficiary.

Example 18:

Formal revocable trust account for one owner with one life estate beneficiary and five remainder beneficiaries with equal beneficial interests

Account Title

Mark Carter Living Trust (Ruth, Virginia, Matt, Denise, Bernard and Terri, as beneficiaries)

Facts:

Mark Carter has a living trust that gives his wife, Ruth, a life estate interest. Upon Ruth's death, the couple's five children are designated as remainder beneficiaries to equally share the balance of the trust. Mark Carter would like to place \$2,000,000 in the IDI using this trust. Can he do this with no uninsured funds? If not, what is the maximum that can be insured at one IDI with no uninsured funds?

Rules:

(a) For revocable trust accounts with an aggregate balance exceeding \$1,250,000, and naming more than five different beneficiaries, a life estate interest is valued at \$250,000.

(b) With 6 or more beneficiaries with equal interests, the maximum amount that can be deposited with no uninsured funds is \$1,500,000—1 owner multiplied by 6 beneficiaries multiplied by \$250,000.

Answer:

The FDIC rules provide that in a trust with more than five beneficiaries and an aggregate balance exceeding \$1,250,000, a life estate beneficiary's interest will be valued at \$250,000. Since Ruth's life estate interest is valued at \$250,000, that means \$1,750,000 can be allocated to the remaining five beneficiaries.

This allocation is \$350,000 per beneficiary which results in \$100,000 in uninsured funds for each of the five beneficiaries. In order for the funds to be fully insured, then each of the remaining five beneficiaries can only be insurable for up to \$250,000. Therefore, the maximum that can be insured under Mark's trust at one IDI with no uninsured funds is \$1,500,000 which is one owner multiplied by five beneficiaries multiplied by \$250,000 plus the specific allocation valuation of \$250,000 for the life estate beneficiary interest.

➤ **Revocable Trust Accounts**

One life estate beneficiary and five remainder beneficiaries with equal beneficial interests equals six beneficiaries with equal allocations

Owner	Beneficiary	Beneficiary Allocation up to \$250,000	Maximum Available Insured Amount	Amount Uninsured
Mark	Ruth	\$250,000	\$250,000	\$0
Mark	Virginia	\$350,000	\$250,000	\$100,000
Mark	Matt	\$350,000	\$250,000	\$100,000
Mark	Denise	\$350,000	\$250,000	\$100,000
Mark	Bernard	\$350,000	\$250,000	\$100,000
Mark	Terri	\$350,000	\$250,000	\$100,000
Total		\$2,000,000	\$1,500,000	\$500,000

Alternate or contingent beneficiaries

FDIC deposit insurance coverage for revocable trust accounts is based upon the owners and beneficiaries alive at the time an IDI fails. Furthermore, a living beneficiary must be a primary beneficiary—meaning that his or her interest in the trust does not depend on the death of another trust beneficiary. An alternate or contingent beneficiary – that is, an individual who would receive the trust deposits if another beneficiary were to die before the account owner – does not qualify as a primary beneficiary for FDIC deposit insurance purposes. Consider the example of a trust agreement providing that the interest of the owner’s son will be distributed to a charitable organization if the son were to die before the owner. If the son is alive when the IDI fails, the FDIC would not treat the charitable organization as a primary beneficiary because the organization’s interest would depend upon the death of another beneficiary (that is, the owner’s son). On the other hand, if the son is deceased when the IDI fails, the FDIC would treat the charitable organization as a primary beneficiary.

“Off the top” distributions

In identifying beneficiaries, the FDIC does not distinguish between beneficiaries who shall receive distributions “off the top” and beneficiaries who shall receive a percentage or portion of remaining funds. If a living trust agreement provides for payments to designated persons or entities before distribution of the balance of the trust funds, those receiving the “off the top” distribution, as well as those receiving the balance of the trust assets, will be deemed beneficiaries for deposit insurance purposes. Therefore, if a beneficiary receives an “off the top” distribution and also shares in the residual deposit funds, the beneficiary’s total interests are added together.

5. Calculating Maximum Deposit Insurance Coverage for Formal Revocable Trust Accounts with Six or More Beneficiaries

In situations where six or more beneficiaries with unequal interests are named in a formal trust, the FDIC has developed a process to determine if the maximum insurable amount can exceed \$1,250,000.

Step 1 - Determine the largest percentage amount allocated to any one beneficiary pursuant to the provisions of the revocable trust agreement.

Step 2 – Convert the largest percentage allocation from Step 1 to a corresponding decimal number (e.g., 25% = .25), and divide \$250,000 by that number.

Step 3 - Look at the result from Step 2. If the amount is less than or equal to \$1,250,000, then the formal revocable trust has a maximum insurable amount equal to exactly \$1,250,000. If the Step 2 result is greater than \$1,250,000, then this greater number is the maximum amount that can be deposited using this trust agreement with no uninsured funds.

As illustrated in the table below, if one or more beneficiaries have an allocated interest at or above 20%, the product of the Step 2 calculation will be \$1,250,000 or less and, thus, the maximum insurable amount with no uninsured funds will always be limited to \$1,250,000.

Beneficiary with Largest Percentage/Share	Break Even Calculation	Maximum Available Coverage Amount
19%	$\$250,000 \div .19 = \$1,315,789.47$	\$1,315,789.47
20%	$\\$250,000 \div .20 = \\$1,250,000.00$	\$1,250,000.00
21%	$\$250,000 \div .21 = \$1,190,476.19$	\$1,250,000.00

If the largest beneficial interest is **at or below 20%**, the calculation will result in a maximum available amount of deposit insurance greater than \$1,250,000.

Example 19:

Formal revocable trust account for one owner with eight beneficiaries with unequal beneficial interests

Beneficiary	Beneficiary Percentage Allocation
Child 1	15%
Child 2	15%
Child 3	15%
Grandchild 1	11%
Grandchild 2	11%
Grandchild 3	11%
Grandchild 4	11%
Grandchild 5	11%
Total	100%

Example 19**Facts:**

Harry Jones is the owner of the Harry Jones Revocable Living Trust that designates as beneficiaries Harry's three children and five grandchildren, all of whom are living.

The trust provides that upon Harry's death, the trust assets are to be divided and distributed so that his children each receive a 15% share and each grandchild an 11% share. If Harry opens accounts at a single IDI, all titled in the name of the Harry Jones Revocable Living Trust, what is the total maximum amount that he could deposit into the accounts and have the entire balance covered by deposit insurance?

Rule:

The maximum amount of deposit insurance available for a depositor's revocable trust accounts titled in the name of a living trust that designates more than six beneficiaries is the greater of (a) \$1,250,000, or (b) the product of \$250,000 divided by an amount equal to the largest percentage beneficiary allocation provided in the trust.

Answer:

Step 1: The largest percentage beneficiary allocations in Harry's revocable trust are the 15% distributions made to each of his three children.

Step 2: The product of \$250,000 divided by 15% (.15) is \$1,666,667.

Step 3: Since \$1,666,666 is greater than \$1,250,000, the maximum amount of deposit insurance coverage available for revocable trust accounts at a single IDI all titled in the name of the Harry Jones Revocable Living Trust is \$1,666,667.

If Harry were to deposit a total \$1,666,667, the largest beneficiaries would receive \$250,000 each:

Beneficiary	Beneficiary Allocation if \$1,666,667 Deposited
Child 1	\$250,000
Child 2	\$250,000
Child 3	\$250,000
Grandchild 1	\$183,333
Grandchild 2	\$183,333
Grandchild 3	\$183,333
Grandchild 4	\$183,333
Grandchild 5	\$183,333
Total	\$1,666,667

Example 20**Facts:**

John is the owner of a revocable trust naming five beneficiaries with per beneficiary allocations up to the amounts listed on the chart below and with the sixth beneficiary receiving the remainder of any cash left after the specific allocations are disbursed. Assume all beneficiaries are alive and have been confirmed as primary beneficiaries.

➤ **Revocable Trust Accounts**

At this time, John has \$2,100,000 to deposit under the trust agreement and John asks “Can I open this deposit at your IDI and be fully insured for the \$2,100,000?”

John’s trust provides the following allocations when he dies:

Trust Beneficiary	Trust Allocation
Beneficiary 1 (Sally)	\$225,000
Beneficiary 2 (James)	\$225,000
Beneficiary 3 (Amy)	\$225,000
Beneficiary 4 (Lucy)	\$225,000
Beneficiary 5 (Tina)	\$225,000
Beneficiary 6 (Michael)	(remainder) \$975,000
Total	\$2,100,000

Rule:

To determine whether revocable trust funds on deposit at an IDI are fully insured, review each beneficiary’s allocation under the trust agreement. With six or more beneficiaries named, any allocation in excess of \$250,000 would create uninsured funds if the amount to be deposited exceeds \$1,250,000.

Answer:

John cannot deposit the entire \$2,100,000 under the trust agreement and have 100% of the funds fully insured. The specific allocations under the trust agreement total \$1,125,000. Under the terms of the trust, five beneficiaries each receive \$225,000. These allocations are fully insured because they are below the SMDIA of \$250,000. The remainder amount available under the trust agreement would be \$975,000 which is allocated to Michael, Beneficiary 6. The amount allocated to Michael would only be insured up to the SMDIA, \$250,000. Under the terms of this trust agreement, the maximum amount that can be placed in the account with no uninsured funds is \$1,375,000 (\$1,125,000 plus \$250,000). The remaining \$725,000 in the account is uninsured.

➤ **Revocable Trust Accounts**

Trust Beneficiary	Trust Allocation	Insured Amount	Uninsured Amount
Beneficiary 1 (Sally)	\$225,000	\$225,000	\$0
Beneficiary 2 (James)	\$225,000	\$225,000	\$0
Beneficiary 3 (Amy)	\$225,000	\$225,000	\$0
Beneficiary 4 (Lucy)	\$225,000	\$225,000	\$0
Beneficiary 5 (Tina)	\$225,000	\$225,000	\$0
Beneficiary 6 (Michael)	\$975,000	\$250,000	\$725,000
Total	\$2,100,000	\$1,375,000	\$725,000

XI. Common Misconceptions in Calculating Insurance Coverage for Revocable Trusts

Below are some misconceptions that both depositors and IDI employees have regarding calculating coverage for revocable trust accounts.

1. Counting Heads Method

As illustrated in the following example, depositors and IDI employees mistakenly believe that deposit insurance coverage for revocable trust accounts is calculated by counting or adding up every name on an account and multiplying that number by \$250,000. This misconception of how deposit insurance is calculated is known as the “Counting Heads Method.” This is an incorrect method to determine coverage.

Example 21

Facts:

John opened a payable-on-death account and named Lisa as a beneficiary on the account. John does not have any other accounts at the same IDI. What is the deposit insurance coverage for this account?

Rule:

For five or fewer beneficiaries, deposit insurance coverage is calculated by using the following formula: the number of owners times the number of beneficiaries times \$250,000.

Answer:

John as the owner of the account is insured for up to \$250,000. The misconception for this type of account is that coverage is calculated by adding or counting the number of owners and the number of beneficiaries and then multiplying that number by \$250,000. By using this incorrect *counting heads method*, depositors and some IDI employees believe that the coverage for a payable on death account with one owner and one beneficiary is \$500,000. This is incorrect.

To accurately calculate coverage, first determine how many owners and how many beneficiaries are named on the revocable trust account.

Next, use the formula for revocable trust accounts with five or fewer beneficiaries: the number of owners multiplied by the number of unique eligible beneficiaries multiplied by \$250,000 equals the insurable amount. In this example, there is one owner of the POD account (John) and there is one beneficiary (Lisa).

Finally, apply the formula: 1 owner x 1 beneficiary x \$250,000 = \$250,000. Therefore, the maximum deposit insurance coverage for this revocable trust account is \$250,000, **not \$500,000.**

Example 21: POD account with one owner with one beneficiary				
Owner	Beneficiary	Maximum Amount That Can be Allocated to a Beneficiary	Insured Amount	Uninsured Amount
John	Lisa	\$250,000	\$250,000	\$0
Total		\$250,000	\$250,000	\$0

2. Counting the Same Beneficiary More than Once When Named on Multiple POD Accounts

Some depositors and bankers believe that the FDIC will count a named beneficiary more than once if the beneficiary is named on multiple POD accounts. This is incorrect. The FDIC regulations provide that in determining coverage for revocable trust accounts, an owner receives \$250,000 in deposit insurance coverage for each *unique* beneficiary identified. As illustrated in the following example, if an owner identifies the same beneficiary on multiple revocable trust accounts, there would be only one unique beneficiary and thus, for determining coverage, that one beneficiary would only be counted once.

Example 22

Facts:

John Jones opened three payable on death accounts, and on the first account he named his daughter Alice as a beneficiary. On the second account, John named his daughter Betty and again his daughter Alice as his beneficiaries. Finally, on the third account, he named his daughter Cindy and again named Betty as his beneficiaries. Assuming these are the only revocable trust accounts that John has at this IDI, what is the maximum insurable amount for these deposits?

Rule:

- (a) The rule for calculating deposit insurance coverage for five or fewer beneficiaries is the number of owners times the number of eligible beneficiaries times \$250,000.
- (b) A beneficiary is only counted once in determining coverage.

Answer:

There are only three unique persons named as beneficiaries on the accounts— that is, Alice, Betty and Cindy. In calculating FDIC deposit insurance coverage, a named beneficiary is counted only once. The calculation is to take the number of owners—one in this case—and multiply it by three, which is the total number of unique eligible beneficiaries. Therefore, one owner times three beneficiaries times \$250,000 equals a total maximum insurable amount of \$750,000.

➤ **Revocable Trust Accounts**

Example 22: POD account with same beneficiaries on multiple POD accounts			
Owner	Beneficiary	Insured Amount	Uninsured Amount
John Jones	Alice		
John Jones	Betty, Alice		
John Jones	Cindy, Betty		
Total		\$750,000	\$0

XII. Conversion of a Formal Revocable Trust to an Irrevocable Trust Upon the Death of the Trust Owner

In general, depositors with a revocable trust account that becomes an irrevocable trust account as a result of the death of a grantor should deposit no more than a maximum of \$250,000 at each IDI. If your client has such a trust, the FDIC recommends calling and speaking with a deposit insurance subject matter expert to determine coverage. For additional discussion of these rules, please contact the FDIC at 1-877-275-3342.

Health Savings Account

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.

II. 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 account records. These accounts could be insured under one of the following deposit insurance categories:

- 1) Revocable trust category
- 2) Single account category

III. Deposit Insurance Category

1. HSAs as Revocable Trust Accounts

In order to identify the applicable deposit insurance category for an HSA, the FDIC will determine whether the deposit has testamentary language identifying one or more eligible beneficiaries to receive the HSA deposit funds when the owner dies. If valid testamentary language exists with one or more beneficiaries named, then the FDIC will insure the deposit under the revocable trust account category. In general, coverage for revocable trust accounts will depend on the number of owners and the number of beneficiaries. For example, if John Smith deposited \$750,000 at XYZ Bank and established an HSA where he identified his three children as beneficiaries of the HSA, then John Smith would be insured for up to \$750,000. Using the formula for determining coverage for a revocable trust account with five or fewer beneficiaries, his coverage would be calculated as follows: 1 owner times 3 beneficiaries times \$250,000 equals \$750,000.

2. HSAs as Single Accounts

If an owner of an HSA has not designated beneficiaries, then the FDIC will insure the HSA as the single account of the owner. The insurance limit would be up to \$250,000 for all single accounts, including any HSAs that a depositor has at the same IDI.

3. Aggregation with Other Revocable Trust Accounts or Single Accounts

In calculating the deposit insurance coverage for an HSA that identifies beneficiaries, the FDIC will aggregate the funds of the HSA with the owner's other revocable trust accounts. Thus, in the earlier example, if John Smith has named his three children as beneficiaries on his HSA and also has named those same children as POD beneficiaries on a savings account at the same IDI, the FDIC would combine those accounts and John's total coverage would be up to \$750,000. If John deposited more than \$750,000 between the two accounts combined, then he would have uninsured funds.

Similarly, if the HSA is established without any beneficiaries, then those deposits would be combined with any other single accounts that the depositor has at the same IDI and insured for up to \$250,000.

IV. Titling Requirement

The FDIC does not require "POD" or "ITF" to be included in the account title for an HSA to be eligible for revocable trust account coverage. If the HSA deposit has testamentary language naming beneficiaries, then the FDIC will accept any of the following terms: "*Health Savings Account Trust*," "*Health Savings Account*" (without the word "trust") or "*HSA*." In regard to the requirement that the beneficiaries of an informal revocable trust account must be named in the IDI's account records, the listing of the beneficiaries in the IDI's HSA application form or elsewhere in the IDI's records would be acceptable.

IRREVOCABLE TRUST ACCOUNTS [\(12 C.F.R. § 330.13\)](#)

I. Definition

Irrevocable trust accounts are deposit accounts held by an irrevocable trust established by a statute or a written trust agreement. An irrevocable trust may also be created through the death of the grantor of a revocable living trust.

Creators of irrevocable trusts are commonly called grantors. A grantor of an irrevocable trust creates the trust and contributes funds or property to the trust. However, the grantor cannot amend or revoke the trust agreement.

To be insured in this category, the account should be titled in the name of the trust. The identities and interests of the beneficiaries should be ascertainable from the trust agreement. Also, the trust must be valid under state law.

II. Insurance Limit

One or more deposit accounts in the name of an irrevocable trust are insured up to \$250,000 for the “non-contingent trust interest” of each beneficiary. Separately, funds representing “contingent interests” are insured up to \$250,000 in the aggregate. Finally, any funds representing a grantor’s “retained interest” are insured to the grantor in the single account category (in aggregation with the grantor’s other single accounts).

The term “non-contingent trust interest” is defined in the FDIC’s regulations as an interest capable of determination without evaluation of any contingencies except those covered by present worth/life expectancy tables. To the extent that the beneficiary’s interest is subject to any other type of contingency, the interest is a “contingent interest.”

In many cases, the deposit insurance coverage of an irrevocable trust account is limited to \$250,000 due to the contingent nature of the beneficiaries’ interests.

III. Living Grantor Establishes an Irrevocable Trust

In determining coverage for irrevocable trusts, IDI employees should consider the following questions:

1. Does the Grantor Have a Retained Interest in the Trust?

In an irrevocable trust, the grantor transfers property to the trust and once those assets are transferred, they are beyond the grantor's reach. However, grantors at times retain an interest in some or all of the trust assets. When a trust provides for the trustee to be able to return assets to the grantor, those assets are the grantor's retained interest. John, for example, funded his irrevocable trust with a \$250,000 deposit. Under the terms of the trust, John may recover the funds under certain prescribed circumstances. In this example, the entire deposit of \$250,000 is considered a "retained interest."

To the extent a grantor has a retained interest in an irrevocable trust, the retained interest is considered the grantor's single account, added to the grantor's other single accounts at the same IDI, and the combined balance is insured up to \$250,000.

2. Are the Interests of the Beneficiaries Contingent or Not Ascertainable?

The FDIC regulations define a *contingent interest* as an interest that cannot be determined without evaluation of contingencies other than life expectancy.

The following are examples of *contingencies*:

- a. Beneficiaries will not receive funds unless certain conditions are met, such as graduating college;
- b. Trustees have discretion to allocate funds among the beneficiaries. For example, trustees are able to invade the trust principal on a beneficiary's behalf for any reason, such as paying medical expenses.

To the extent the interests of the beneficiaries are contingent, those interests are added together and insured for up to a maximum of \$250,000, regardless of the number of beneficiaries.

To the extent the interests of the beneficiaries are *non-contingent*, each beneficiary's interest is insured up to \$250,000.

Where the funds in a single irrevocable trust account represent both contingent interests and non-contingent interests, the FDIC would separate the two types of funds before applying the rules above.

IV. Revocable Trust Becomes Irrevocable Due to Grantor's Death

In general, depositors with a revocable trust account that became an irrevocable trust account as a result of the death of a grantor should deposit no more than a maximum of \$250,000 at each IDI. If your client has such a trust, the FDIC recommends calling and speaking with a deposit insurance subject matter expert to determine coverage. For additional discussion of these rules, please contact the FDIC at 1-877-275-3342.

Example 23

Facts:

Mary Smith is recently deceased. Richard Law, Trustee, opened an account at ABC Bank in the name of the Mary Smith irrevocable trust. Under the terms of the trust, Mary's husband John Smith (currently alive) is to receive funds in the discretion of the trustee. After John's death, any remaining funds are to be distributed to two children, Anna and Milton. The balance of the account is \$750,000.

Example 23:
Irrevocable trust account with one grantor and contingent interests

Account Title	Beneficiaries	Contingent Interests?	Balance	Insured Amount	Uninsured Amount
Richard Law, Trustee, Mary Smith Trust	John, Anna and Milton	Yes, trustee has discretion over allocation of the funds	\$750,000	\$250,000	\$500,000
Total		\$250,000	\$750,000	\$250,000	\$500,000

Rule:

When an irrevocable trust has beneficial interests that are contingent, then the irrevocable trust account is insured for up to a maximum of \$250,000.

Answer:

Under the terms of the trust, Richard can invade the trust for the support of John. As a result, the beneficiaries' interests are contingent and the maximum that Richard should deposit in the name of this irrevocable trust at one IDI is \$250,000.

V. Coverdell Education Savings Accounts

A Coverdell Education Savings Account is insured as an irrevocable trust account. Although this account is referred to as an *Education IRA*, the account does not involve retirement and, therefore, is not insured as a self-directed retirement account. It is an irrevocable commitment created for the purpose of paying qualified education expenses of a designated beneficiary. This type of account is insured as an irrevocable trust account up to \$250,000.

CERTAIN RETIREMENT ACCOUNTS [\(12 C.F.R. § 330.14\(b\)\(2\)\)](#)

I. Definition

In general, certain retirement accounts are self-directed retirement deposits for which an owner and not a plan administrator has the right to direct how the funds are invested.

This category consists of deposits made in connection with the following:

- All types of IRAs, including:
 - Traditional IRAs
 - Roth IRAs
 - Simplified Employee Pension (“SEP”) IRAs
 - Savings Incentive Match Plans for Employees (“SIMPLE”) IRAs
- All Section 457 deferred compensation plans, such as eligible deferred compensation plans provided by state and local governments, regardless of whether they are self-directed;
- Self-directed defined contribution plans, including:
 - self-directed 401(k) plans
 - self-directed SIMPLE IRAs held in the form of 401(k) plans
 - self-directed defined contribution money purchase plans
 - self-directed defined contribution profit-sharing plans
- Self-directed Keogh plans (or H.R. 10 plans) designed for self-employed individuals.

II. Insurance Limit

Deposits in all certain retirement accounts owned by the same depositor and held at the same IDI are added together and the total is insured for up to \$250,000.

Naming beneficiaries does not increase deposit insurance coverage for certain retirement accounts.

III. Requirements

In general, the retirement plans in this category are self-directed. However, deposits held in 457 deferred compensation plans are insured as “certain retirement accounts” even if they are not self-directed.

A retirement plan is considered “self-directed” for the purpose of FDIC deposit insurance coverage if each plan participant can choose the specific IDI to hold their retirement deposits. Sometimes a retirement plan lists a specific IDI as the default institution. Provided that the participants can change the default IDI, the plan is considered self-directed.

In other instances, a plan may have a default IDI that cannot be changed. These types of plans can be considered *self-directed* if plan participants can make their own investment decisions. For example, a retirement plan lists Bank ABC as the default IDI. Plan participants cannot change the IDI. But participants can also choose to invest in stocks, bonds or mutual funds. When plan participants can make these types of investment decisions, their plan is self-directed.

Example 24

Facts:

Barbara Moore has two IRA CDs at the same IDI. She has listed two IRA beneficiaries on each CD.

Rules:

- (a) All certain retirement accounts owned by the same person at the same IDI are aggregated and the total is insured up to \$250,000.
- (b) Listing beneficiaries on IRAs, while valid to designate the transfer of funds when the owner dies, does not increase deposit insurance coverage.
- (c) An individual’s deposits in this category are added together and insurable up to \$250,000 per IDI.

Answer:

Example 24: Multiple IRAs and beneficiaries			
Account Title	Balance	Insured Amount	Uninsured Amount
Barbara Moore's Roth IRA (Lisa Moore & Roger Moore, beneficiaries)	\$100,000		
Barbara Moore's Traditional IRA (Lisa Moore & Roger Moore, beneficiaries)	\$180,000		
Total	\$280,000	\$250,000	\$30,000

Since Barbara has multiple IRAs at the same IDI, the balances are added together and insured for up to \$250,000. The fact that she named beneficiaries on the IRAs does not increase her coverage. With \$280,000 on deposit in her IRAs at the same IDI, Barbara is insured for \$250,000 and uninsured for \$30,000.

IV. When the Owner of an IRA Dies

Depositors typically name a beneficiary on their IRA. While listing beneficiaries on an IRA does not increase the coverage, once the owner dies, a decedent IRA raises the issue of how such an account would be insured. Even after the owner of an IRA has passed away, the account may continue to be titled in the name of the deceased. If an IRA continues to be maintained in the decedent's name, and continues to be recognized by the IRS as the decedent's IRA, then the FDIC will insure the account for up to \$250,000 as a certain retirement account of the decedent.

Example 25

Facts:

John and Mary Law each had an IRA CD at Any Bank. They do not have any other retirement accounts at Any Bank. John listed Mary as his sole beneficiary. While John and Mary were both alive, the accounts were insured separately up to \$250,000. John died one month ago in February and Mary has continued to maintain John's IRA in his name.

Rule:

When an IRA owner dies and the IRA continues to be maintained in the decedent's name, the decedent's IRA is insured up to \$250,000 separately from the beneficiary's own IRA at the same IDI.

Answer:

Example 25: Decedent's IRA insured separately from beneficiary's IRA				
Account Title	Deposit Type	Balance	Insured Amount	Uninsured Amount
John Law (deceased), IRA	IRA CD	\$250,000	\$250,000	\$0
Mary Law, IRA	IRA CD	\$250,000	\$250,000	\$0
Total		\$500,000	\$500,000	\$0

Each owner is insured for up to \$250,000 for all IRAs held at the same IDI. Therefore, Mary is insured for up to \$250,000 for her IRA. In addition, at the same IDI, since Mary kept John's IRA titled in his name, John's IRA continues to be insured separately.

V. Types of Retirement Plans NOT Insured as Certain Retirement Accounts

Deposit accounts held by the following types of retirement plans do not qualify as "certain retirement accounts" and are not insured in this category:

- 403(b) plans (e.g., annuity contracts for some public school employees, tax-exempt organizations, and ministers);
- Defined benefit plans; or
- Defined contribution plans, such as 401(k) plans, which are **not** self-directed.

Please note that this list is not meant to be exhaustive and includes only some retirement plans that are insured as employee benefit plan accounts, which is discussed in the next section.

In addition, Coverdell Education Savings Accounts, sometimes referred to as Education IRAs, are insured as irrevocable trust accounts, as discussed in the previous section.

EMPLOYEE BENEFIT PLAN ACCOUNTS³ ([12 C.F.R. § 330.14](#))

I. Definition

For purposes of deposit insurance coverage, the term “employee benefit plan” means an employee welfare benefit plan or an employee pension benefit plan (or a hybrid of the two). This definition is taken from section 3(3) of the Employee Retirement Income Security Act of 1974 (ERISA).

The most common employee benefit plans include:

- *Defined benefit plans* – These plans pay participants a certain amount after they retire based on years of employment and their salary.
- *Employee welfare plans or welfare benefit plans* – These plans provide medical, health, and hospitalization benefits or income in the event of sickness, accident, or death.
- *Defined contribution plans* (e.g., 401(k), profit sharing plans) – These plans allow participants and/or employers to make tax-deferred contributions, that plan participants can access later (e.g., after they are 59½ years old).
- *Keogh plans* (defined benefit or defined contribution plan) – These plans are used by self-employed people who make tax-deferred contributions that plan participants can access later (e.g., after they are 59½ years old).

FDIC insurance coverage is based on deposit funds at the IDI

Employee benefit plans can invest funds in deposit accounts in IDIs as well as in nondeposit products such as stocks, bonds and other investments. FDIC deposit insurance only applies to the funds that are on deposit at the IDI.

II. Investment Decisions Made By a Plan Administrator

Employee benefit plans have plan administrators who make investment decisions for the plan participants.

³ Section 11(a)(1)(D)(ii) of the FDI Act, 12 U.S.C. § 1821(a)(1)(D)(ii), provides that an IDI may not accept deposits of an employee benefit plan unless the IDI is well capitalized or adequately capitalized. Please note, however, that an undercapitalized IDI’s violation of this prohibition will not affect the insurance coverage of the employee benefit plan’s deposits.

III. Insurance Limit

The deposits of an employee benefit plan are insured on a “pass-through” basis, meaning that the deposits are insured up to \$250,000 for the “non-contingent interest” of each plan participant. A “non-contingent interest” is an interest capable of determination without evaluation of contingencies other than life expectancy. To the extent that any deposits represent contingent interests, the deposits are separately insured up to \$250,000 in the aggregate. Finally, to the extent that any deposits represent an “overfunding” of the plan, the deposits are separately insured up to \$250,000 in the aggregate.

Interests in defined contribution plans

An employee’s non-contingent interest in a defined contribution plan is deemed to be the “employee’s account balance as of the date of the failure of the insured depository institution regardless of whether said amount is derived in whole or in part from contributions of the employee and/or employer to the account.”

12 C.F.R. § 330.14(c)(1).

Interests in defined benefit plans

An employee’s non-contingent interest in a defined benefit plan “is 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 default of the insured depository institution.” 12 C.F.R. § 330.14(c)(2).

Example 26:

Pass-through deposit insurance coverage for employee benefit plan accounts

Account Title	Balance
Medical Services of Mainville, PC Employee Benefit Plan	\$700,000

Example 26

Facts:

Medical Services of Mainville, a small doctor’s office, has four employees, each of whom participates in the employee benefit plan. These employees do not participate in any other employee benefit plan sponsored by the same employer.

➤ Employee Benefit Plan Accounts

The plan administrator invested \$700,000 in CDs from Anytown Bank. The employee benefit plan defines the interest of each plan participant. Under the terms of the plan documents, the interests of the participants are non-contingent. The respective interests of the participants are set forth below:

Plan Participants	Share of Plan	Share of Deposit
Dr. Moore	40%	\$280,000
Dr. Wilson	35%	\$245,000
Nurse Smith	15%	\$105,000
Mrs. Taylor	10%	\$70,000
Plan Total	100%	\$700,000

Rules:

- (a) The deposits of an employee benefit plan are insured up to \$250,000 for each participant's non-contingent interest.
- (b) To calculate each participant's interest in a deposit account, multiply the deposit amount by each participant's percentage share of the plan's assets.

Answer:

Plan Participants	Share of Plan (A)	Share of Deposit (B)	Insured Amount (C)	Uninsured Amount (D)
Dr. Moore	40%	\$280,000	\$250,000	\$30,000
Dr. Wilson	35%	\$245,000	\$245,000	\$0
Nurse Smith	15%	\$105,000	\$105,000	\$0
Mrs. Taylor	10%	\$70,000	\$70,000	\$0
Plan Total	100%	\$700,000	\$670,000	\$30,000

➤ Employee Benefit Plan Accounts

In this example, Column A provides each plan participant's percentage share of the plan. The interest of Dr. Moore, for example, is 40% of the plan assets. The plan has \$700,000 on deposit. Therefore, Dr. Moore's interest is 40% of \$700,000, which equals \$280,000 (Column B).

Since each plan participant's non-contingent interest is insured up to \$250,000 (Column C), Dr. Moore's interest is uninsured in the amount of \$30,000 (Column D).

Using this same calculation for each participant, the table shows every other participant's non-contingent interest is less than \$250,000. Therefore, the interests of the other employees are fully insured.

IV. Determining the Maximum Insurable Amount

The above example explained how the FDIC determines deposit insurance coverage when the funds already are on deposit at the IDI.

Sometimes, a plan participant, an administrator, or an IDI employee wants to know how much can be deposited in a plan account and be fully insured.

Example 27

Example 27: Calculating maximum deposit insurance coverage for an employee benefit plan's deposits at one IDI				
Plan Participants	Share of Plan (A)	Share of Deposit (B)	Insured Amount (C)	Uninsured Amount (D)
Dr. Moore	40%	\$250,000	\$250,000	\$0
Dr. Wilson	35%	\$218,750	\$218,750	\$0
Nurse Smith	15%	\$93,750	\$93,750	\$0
Mrs. Taylor	10%	\$62,500	\$62,500	\$0
Plan Total	100%	\$625,000	\$625,000	\$0

➤ Employee Benefit Plan Accounts

Facts:

Before opening an employee benefit plan account at XYZ Bank, the plan administrator wants to know how much can be deposited and be fully insured. The facts in this example are the same as in example 26.

Rule:

The maximum amount that can be deposited in an employee benefit plan account and be fully insured is calculated by dividing \$250,000 by the largest non-contingent percentage interest in the plan.

Answer:

Dr. Moore has the largest non-contingent interest in the plan at 40%. When you divide \$250,000 by 0.40, the result is \$625,000 (Plan Total in Column B). This means the plan's deposits can be fully insured for up to \$625,000 at each IDI.

Based on a balance of \$625,000, Column B outlines the interest of each participant. For example, multiplying \$625,000 by Mrs. Taylor's 10% results in \$62,500, which is her beneficial interest. This interest is fully insured because it is not greater than \$250,000. Similarly, the interest of every other participant is fully insured because it does not exceed \$250,000.

**CORPORATION, PARTNERSHIP AND UNINCORPORATED ASSOCIATION
ACCOUNTS ([12 C.F.R. § 330.11](#))**

I. Definition

The ownership category for Corporations, Partnerships and Unincorporated Associations includes deposit accounts owned by a corporation, partnership or unincorporated association.

1. A corporation is defined as an organization that is incorporated under the laws of the state in which it is located. This definition includes both for-profit and not-for-profit corporations, as well as "Subchapter S," "Limited Liability (LLC)" and professional corporations (PC).
2. A partnership is defined as an association of two or more persons or entities formed to carry on, as co-owners, an unincorporated business for profit.
3. An unincorporated association is defined as an association of two or more persons formed for some religious, educational, charitable, social or other non-commercial purpose.

Accounts of a sole proprietorship or a DBA are not insured under this account category. Sole proprietorship accounts are insured as the single accounts of the owner. As discussed in the section on single account coverage, DBA or sole proprietorship accounts are added with any other single accounts of the sole proprietor and insured for up to the SMDIA.

II. Insurance Limit

The deposit accounts of a corporation, partnership or unincorporated association are insured for up to \$250,000, provided the corporation, partnership or unincorporated association is engaged in an “independent activity.”

III. Requirements

Business/Organization must be engaged in an independent activity.

In order to receive separate deposit insurance coverage, the business/organization must be engaged in an independent activity.

The term “independent activity” means that the entity is operated primarily for a legitimate business purpose and not solely to increase deposit insurance coverage. If a corporation, partnership or unincorporated association is not engaged in an independent activity, the FDIC will consider its deposits to be owned by the person or persons who established the account or who own or control the corporation, partnership or unincorporated association.

Corporations and partnerships must be validly formed under the applicable state law to receive insurance coverage that is separate from any coverage that the owners, officers or partners of the business might otherwise receive.

Deposits held in the name of a validly formed corporation, partnership or unincorporated association are insured separately from the personal deposits of the owners or officials of the organization.

IV. Corporations

Separately incorporated subsidiaries engaged in an independent activity are separately insured from each other and from the parent company. If a corporation has divisions that are not separately incorporated, deposits in the names of those divisions are not separately insured. Additionally, deposit accounts designated for different purposes but held by the same corporation also are not separately insured.

The number of signatories on the account or the number of officers does not affect insurance coverage. In addition, if a corporation has multiple accounts at the same IDI in the names of different divisions or offices of the corporation, the accounts would be aggregated and insured as the deposits of the corporation up to a total of \$250,000.

V. Partnerships

Deposit accounts held in the name of a partnership engaged in an independent activity are insured as the partnership's deposits, separately from the personal deposits of the partners.

Neither the number of partners nor the number of signatories on an account affects the amount of insurance coverage. The maximum deposit insurance coverage for a partnership's deposit accounts at one IDI is \$250,000, regardless of the number of partners or signatories on the account.

VI. Unincorporated Associations

Deposit accounts held in the name of an unincorporated association (such as a neighborhood association or a scout troop) engaged in an independent activity are insured as the association's deposits, separately from the personal deposits of the officers or members.

In order for the account to receive separate coverage, the title of the account must include the name of the unincorporated association. In other words, if the accounts are titled using the names of the officers of the organization, the accounts may be insured as the personal deposits of the individuals and not as the funds of the organization.

Insurance coverage for deposits held by an unincorporated association is a maximum of \$250,000. The number of signatories on the account or the number of members that the association may have does not affect the amount of insurance coverage.

Example 28

Facts:

Ann Johnson, the president of XYZ Corporation, has a joint account with her husband at the same IDI where the corporation's funds are deposited. Ann is an authorized signer on the corporate account. In addition, Ann has opened a single account at that IDI. What is the deposit insurance coverage for all of the accounts?

Rules:

- (a) The accounts of a corporation are insured for up to \$250,000.
- (b) The personal accounts of a signer, a president or a principal of a corporation are insured separately from the accounts of the business entity.

➤ **Corporation, Partnership and Unincorporated Association Accounts**

Answer:

Ann's joint account with her husband is insured up to \$500,000. Her single account is insured for up to \$250,000 and the corporation's deposits are separately insured up to \$250,000.

Example 28: Deposit accounts of a principal of a corporation are insured separately from the accounts of the corporation				
Account Title	Owner	Account Balance	Insured Amount	Uninsured Amount
XYZ Corporation Operating Account	XYZ Corporation (Ann Johnson, President and authorized signer)	\$250,000	\$250,000	\$0
Dave Johnson and Ann Johnson	Dave Johnson, Ann Johnson	\$500,000	\$500,000	\$0
Ann Johnson	Ann Johnson	\$250,000	\$250,000	\$0
Total		\$1,000,000	\$1,000,000	\$0

➤ **Corporation, Partnership and Unincorporated Association Accounts**

Example 29

Facts:

A corporation, EFG, Inc., has its deposit accounts in the same IDI for both its *Operations* and its *Research and Development* divisions. What is the deposit insurance coverage for these accounts?

Rules:

- (a) Accounts held by the same corporation or entity, but designated for different divisions or offices of the corporation or entity, are not insured separately.
- (b) All of the accounts held in the name of a corporation are added together and insured for up to \$250,000.

Answer:

Although the accounts are designated for different divisions, one for *Operations* and another for *Research and Development*, the deposits will be aggregated and insured for up to \$250,000 as the funds of EFG, Inc. Since only \$250,000 would be insured, the remaining \$300,000 would be uninsured.

Example 29: All accounts owned by a corporation are combined and insured for up to \$250,000 at an IDI				
Account Title	Owner	Account Balance	Insured Amount	Uninsured Amount
EFG, Inc. Operations Division	EFG, Inc.	\$250,000	\$250,000	\$300,000
EFG, Inc. Research and Development Division	EFG, Inc.	\$300,000		
Total		\$550,000	\$250,000	\$300,000

Example 30

Facts:

Good Deeds, a 501(c)(3) non-profit corporation, has an operating account for \$500,000 and a building fund account for \$300,000 at the same IDI. What is the deposit insurance coverage for these accounts?

Rules:

- (a) Accounts held by the same non-profit corporation, but designated for different purposes, are not insured separately.
- (b) All of the accounts held in the name of a non-profit corporation are added together and insured for up to \$250,000.

Answer:

The deposits of Good Deeds are insured for up to \$250,000 and uninsured for \$550,000. Although the accounts are designated for different purposes, they are not separately insured since the same non-profit corporation owns all the deposits. Therefore, all of the deposit accounts for the non-profit corporation are combined and insured up to \$250,000.

Example 30:

All accounts owned by a non-profit organization are combined and insured for up to \$250,000 at an IDI

Account Title	Owner	Account Balance	Insured Amount	Uninsured Amount
Good Deeds Operating Account	Good Deeds	\$500,000	\$250,000	\$550,000
Good Deeds Building Fund	Good Deeds	\$300,000		
Total		\$800,000	\$250,000	\$550,000

Example 31

Facts:

Mary Rodriguez and Associates is a financial services partnership that was established by five financial planners, Mary Rodriguez, Richard Livery, Paula Rogers, Daniel McNeil and Abby Winters. At the local IDI, Mary purchased a CD for \$1,250,000 in the name of the partnership. What is the maximum deposit insurance coverage for the CD?

Rule:

Deposits held by a partnership are insured for up to \$250,000 irrespective of the number of partners or the different purposes for which the accounts have been designated.

Answer:

The maximum insurance coverage for Mary Rodriguez and Associates is up to \$250,000. The partnership's deposits are not insured as the partners' single or joint accounts since the deposits are owned by the partnership (a legal entity), not the partners as individuals. Accounts owned by the partnership are added together and insured for up to \$250,000, with \$1,000,000 in uninsured funds.

Example 31: Deposit accounts held by a partnership are insured up to \$250,000 as the funds of the partnership and are not insured based on the number of partners				
Account Title	Owner	Account Balance	Insured Amount	Uninsured Amount
Mary Rodriguez and Associates, LP	Mary Rodriguez and Associates, LP	\$1,250,000	\$250,000	\$1,000,000
Total		\$1,250,000	\$250,000	\$1,000,000

GOVERNMENT ACCOUNTS [\(12 C.F.R. § 330.15\)](#)

I. Definition

Government accounts are also known as public unit accounts. This category includes accounts of the federal government, state governments, and other governmental bodies as discussed below.⁴ In this category, the governmental body itself is not treated as the insured depositor. Rather, the “official custodian” of the account (as discussed below) is treated as the insured depositor.

II. Insurance Limit

Deposit insurance coverage for public units depends on the type of the deposit and the location of the IDI.

1. Accounts Held in an In-state IDI

In general, all time and savings accounts held by an official custodian in an IDI located in the same state as the public unit are insured for up to \$250,000. Separately, demand deposit accounts (interest-bearing and noninterest-bearing) owned by a public unit and held by the same official custodian in an IDI within the state in which the public unit is located are added together and insured up to \$250,000.

2. Accounts Held in an Out-of-state IDI

The insurance coverage of accounts held by government depositors is different if the IDI is located outside the state in which the public unit is located. In that case, all deposits owned by the public unit and held by the same official custodian are added together and insured up to \$250,000. Time and savings deposits are not insured separately from demand deposits.

Demand deposits maintained by an official custodian of the United States are insured separately from any time deposits maintained by the same custodian at the same IDI, regardless of the state in which the IDI is located.

⁴ Note that accounts of Native American tribes are insured under the government accounts category, *see* 12 CFR 330.15(a)(5), while deposit accounts held by the Bureau of Indian Affairs on behalf of Native Americans and deposited into an IDI are insured separately as provided in 12 CFR 330.7(e). See the discussion at page 120.

Deposit insurance coverage is not increased by placing deposits into multiple demand deposit accounts or multiple time or savings accounts controlled by the same official custodian for the same public unit.

For the purpose of these rules, the term “savings deposits” includes NOW accounts and MMDAs but does not include interest-bearing demand deposit accounts. The term “demand deposits” means deposits payable on demand and for which the IDI does not reserve the right to require advance notice of an intended withdrawal. For the purpose of deposit insurance coverage under this category of ownership, interest-bearing demand deposit accounts are insured as demand deposit accounts and not as savings accounts.

III. Governmental Entities

Entities insured in the government accounts category include the United States, states, counties, municipalities, the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, the Trust Territory of the Pacific Islands, Guam, The Commonwealth of the Northern Mariana Islands, Native American tribes, drainage districts, irrigation districts, navigation districts, improvement districts, levee districts, sanitary districts, school districts, power districts, bridge or port authorities, and other special districts created by state statute or compacts between the states, and other “political subdivisions.”

Political subdivision is defined as 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.
- A political subdivision (through its official custodian) is entitled to its own insurance coverage.

IV. Official Custodians

The “official custodian” of the account is treated as the insured depositor. If a public unit has multiple official custodians, the deposits of each official custodian are separately insured.

The official custodian is an officer, employee, or agent of a public unit who has plenary authority, including control, over funds owned by the public unit, which the official custodian is appointed or elected to serve. Control of public funds includes possession of, as well as the authority to establish, accounts in an IDI and to make deposits, withdrawals and disbursements.

One person may serve as official custodian of the deposits of more than one public unit. In addition, a public unit may have two or more official custodians, all of whom will have separate insurance coverage for the deposits in their control. To qualify for separate insurance coverage, however, each official custodian must have plenary authority, including control, over the deposits owned by the public unit.

Deposit insurance coverage cannot be increased by dividing funds among several putative official custodians who lack plenary authority over such funds. Similarly, coverage cannot be increased by dividing funds among several accounts controlled by the same official custodian for the same public unit. If the exercise of authority or control over the deposits of a public unit requires action by, or the consent of, two or more custodians, the FDIC would treat the two custodians acting together as one official custodian for the purpose of calculating deposit insurance coverage.

Example 32

Facts:

John Martinez, the official custodian for Orange Town, has opened some deposits at XYZ Bank, an in-state IDI: a MMDA for \$150,000, a CD for \$100,000 and an interest-bearing DDA for \$250,000. What is the deposit insurance coverage?

Rule:

- a) For public unit funds that are deposited in an IDI located in the same state as the public unit, an official custodian will receive coverage up to \$250,000 for the combined amount of all time and savings accounts.
- b) For public unit funds that are deposited in an IDI located in the same state as the public unit, the official custodian will receive separate coverage for up to \$250,000 for the combined amount of all demand deposit accounts.

Answer:

For the public funds that are deposited in Any Bank, an in-state IDI, John Martinez as the official custodian will be insured for up to \$250,000 for the combined amount of the MMDA and the CD. Since the aggregate balance of the MMDA and the CD is \$250,000, John Martinez is fully insured for the time and savings accounts.

In addition, he would be insured separately for \$250,000 for the interest-bearing demand deposit account that is also deposited at XYZ, the in-state IDI.

Example 32: Government accounts are insured based on the location and the type of deposit					
Account Title	Location of Deposits	Deposit Type	Account Balance	Insured Amount	Uninsured Amount
Orange Town	In-state IDI	MMDA	\$150,000	\$150,000	\$0
Orange Town	In-state IDI	Interest-bearing DDA	\$250,000	\$250,000	\$0
Orange Town	In-state IDI	CD	\$100,000	\$100,000	\$0
Total			\$500,000	\$500,000	\$0

Example 33**Facts:**

Bernice Lewis is the official custodian for the Municipality of Magenta. Andy Jackson is a signer on the account, but is not an elected or appointed official with plenary authority over the funds. At the local IDI, there are two accounts held by the municipality: a MMDA for \$150,000 and a NOW account for \$100,000. What is the deposit insurance coverage for these accounts?

Rule:

Deposit insurance coverage is provided for the official custodian of a government account.

Answer:

Since Bernice is the only official custodian who can exercise plenary control over the funds of the Municipality of Magenta, then for deposit insurance purposes, there is only one official custodian, and the maximum deposit insurance coverage for these accounts would be up to \$250,000. Andy's designation as a signer does not provide for additional deposit insurance coverage. Furthermore, since both accounts (MMDA and NOW) are savings accounts, Bernice is insured for \$250,000. Although an official custodian can qualify for up to \$500,000 in deposit insurance coverage for in-state accounts, no more than \$250,000 can be held in time and savings accounts and no more than \$250,000 can be held in demand deposit accounts.

Example 33:

Coverage for government accounts is provided to the official custodian of the public unit

Account Title	Location of Deposits	Deposit Type	Official Custodian	Account Balance	Insured Amount	Uninsured Amount
Municipality of Magenta	In-state IDI	MMDA	Bernice Lewis	\$150,000	\$150,000	\$0
Municipality of Magenta	In-state IDI	NOW	Bernice Lewis	\$100,000	\$100,000	\$0
Total				\$250,000	\$250,000	\$0

V. Collateralization of Public Funds

The FDIC does not insure government accounts above the limits described in this section. However, depending on applicable state or federal law, government accounts may be secured above FDIC insurance limits by collateral provided by a third party or the assets of the IDI. In the event of the failure of the IDI, the FDIC, as receiver, will honor the collateralization agreement assuming the agreement is valid and enforceable under the applicable law. *The FDIC does not guarantee, however, that the collateral will be sufficient to cover the amount of the uninsured funds.*

If the collateral is insufficient to cover these funds, then the depositor becomes a creditor of the failed IDI receivership estate to the extent of the uninsured amount.

VI. Common Misconceptions

1. Custodians for public units may not realize that to obtain \$500,000 in total coverage at one IDI, no more than \$250,000 can be deposited into time and savings accounts (for example, savings accounts, CDs and NOW accounts) and no more than \$250,000 in demand deposit accounts (both interest-bearing and noninterest-bearing demand deposit accounts). Also, such separate coverage (up to \$250,000 for time and savings accounts and up to \$250,000 for demand deposit accounts) is not available unless the public unit is located in the same state as the IDI.
2. Custodians for public units may not realize that public unit deposits designated for different purposes are not separately insured. If the funds are all held by the same official custodian of the same public unit, the deposits will be added together when calculating insurance coverage. Assuming the public unit is located in the same state as the IDI, the coverage would be up to \$250,000 for all time and savings accounts and up to \$250,000 for all demand deposit accounts.

MORTGAGE SERVICING ACCOUNTS FOR PRINCIPAL AND INTEREST PAYMENTS ([12 C.F.R. § 330.7\(d\)](#))

I. Definition

Mortgage servicing accounts are deposit accounts opened by mortgage servicers for the purpose of holding commingled payments of principal and interest (“P&I”) made by mortgagors. Deposit insurance coverage is provided to the mortgagees or investors, but coverage is separate from other accounts maintained by the mortgagees or investors. Note, this category does not apply to payments of taxes and insurance premiums, which are discussed below.

II. Insurance Limit

Accounts maintained by a mortgage servicer, in a custodial or other fiduciary capacity, which are comprised of payments by mortgagors of P&I, are insured for the cumulative balance paid into the account by the mortgagors, up to the limit of the SMDIA per mortgagor.

No aggregation with other accounts

A borrower’s P&I payment that is deposited into the account is not added with any other category of deposit insurance.

Example 34

Facts:

From one thousand borrowers, a mortgage servicer collects a monthly mortgage payment of \$2,000 (P&I) and places the commingled funds into a mortgage servicing account, for various mortgage investors. What is the deposit insurance coverage for this account?

Rule:

Commingled P&I payment accounts established by mortgage servicers are insured up to \$250,000 for the funds paid into the account by each mortgagor.

Answer:

The aggregate of all payments - \$2,000,000 - is fully insured because each mortgagor's payment of \$2,000 is insured separately for up to \$250,000.

Example 34:**Mortgage servicing accounts for P&I payments**

Account Title	Owner	Account Balance	Insured Amount	Uninsured Amount
ABC Mortgage Servicer, FBO	Mortgage Investors	\$2,000,000	\$2,000,000	\$0
Total		\$2,000,000	\$2,000,000	\$0

III. Deposit Insurance Calculation for Payments of Taxes and Insurance ("T&I")

The insurance coverage of P&I funds is different than the deposit insurance for deposits representing the commingled payments of T&I premiums. Accounts maintained by a mortgage servicer, in a custodial or other fiduciary capacity, which are comprised of payments by mortgagors of T&I premiums are added together and insured for the ownership interest of each mortgagor in such accounts.

To receive this coverage, the deposit account must satisfy pass-through requirements applicable to deposits held by custodians or fiduciaries. Specifically, the deposit account records must disclose the fiduciary nature of the deposit and the records of the IDI or the fiduciary must disclose the owners and their ownership interests in the account.

T&I payments are considered fiduciary accounts and provided that the titling and recordkeeping requirements for fiduciary accounts are met, then pass-through coverage would apply. T&I payments would then be insured on a pass-through basis to each respective mortgagor. Please note that since the funds are deemed to belong to the mortgagor, any T&I funds on deposit in an IDI would be added to any other funds owned by each mortgagor in the same ownership category at the same IDI and insured to the applicable limit.

Example 35**Facts:**

XYZ Mortgage Company collects from one thousand mortgagors their monthly T&I payment of \$300 and places the funds into an escrow account. What is the deposit insurance coverage for this account?

Rule:

- (a) T&I deposits are insured on a pass-through basis to each of the individual borrowers.
- (b) Any other deposits in single accounts that the mortgagors have at the same IDI will be aggregated with the T&I funds and insured up to \$250,000.

Answer:

Assuming that the deposit account satisfies certain disclosure requirements applicable to deposits held by agents or fiduciaries, each individual borrower is insured for up to \$250,000 for their T&I deposits. These deposits are aggregated with any other single accounts that the borrower may have at the same IDI.

Example 35: Escrow accounts for “T&I” premiums				
Account Title	Owner	Account Balance	Insured Amount	Uninsured Amount
XYZ Mortgage Company FBO	One thousand mortgagors or borrowers	\$300,000	\$300,000	\$0
Total		\$300,000	\$300,000	\$0

ACCOUNTS HELD BY AN IDI AS THE TRUSTEE OF AN IRREVOCABLE TRUST [\(12 C.F.R. § 330.12\)](#)

I. Definition

To qualify under this category, an account must be held by an IDI as a trustee of an irrevocable trust. This category is applicable whether the IDI as trustee holds the trust funds in a deposit account at the IDI, or whether the IDI as trustee places the funds into a deposit account at another IDI.

No aggregation with other accounts

Deposit insurance coverage for irrevocable trusts in this category is separate from, and in addition to, deposit insurance coverage for other ownership categories.

In this section, the phrase “trust funds” means funds held by an IDI as a trustee for an irrevocable trust. “Trust estate” means a beneficiary’s or principal’s determinable and beneficial interest in trust funds (under this category, trust estate does not refer to the interests of heirs in a decedent’s estate).

II. Insurance Limit

The FDIC insures each trust fund owner or beneficiary represented for up to \$250,000. This insurance is separate from, and in addition to, the insurance provided for any other deposits of the owners or the beneficiaries.

Allocated and unallocated funds

The FDIC regulations for this ownership category recognize that an IDI trustee might deposit allocated or unallocated funds as the trustee of irrevocable trusts. The term “unallocated funds” means the IDI trustee commingles money from multiple irrevocable trusts and then deposits the commingled funds.

In contrast, allocated funds are not commingled—these funds simply belong to a specific irrevocable trust. Both allocated and unallocated funds follow the FDIC’s rules for pass-through deposit insurance coverage: deposit insurance coverage passes through the IDI trustee to the trust owners and beneficiaries, assuming satisfaction of the FDIC’s requirements for pass-through coverage.

III. Requirements

The requirements for obtaining coverage of up to \$250,000 for each owner or beneficiary represented are the following:

- The account records must indicate that the funds are held by the trustee pursuant to a fiduciary relationship.
- The account must be supported by an irrevocable trust established by statute or trust agreement with an IDI as trustee.
- The IDI must be able to provide documentation as to the interests of the owners or beneficiaries.

ANNUITY CONTRACT ACCOUNTS [\(12 C.F.R. § 330.8\)](#)

I. Definition

An annuity contract account is an account established by an insurance company or other corporation to hold funds for the sole purpose of funding life insurance or annuity contracts and any benefits incidental to such contracts.

II. Insurance Limit

Under this category, the insurance company is entitled to deposit insurance coverage of up to \$250,000 for each annuitant's interest provided that:

- The corporation establishes a separate account for such funds;
- The account cannot be charged with the liabilities arising out of any other business of the corporation; and
- The account cannot be invaded by the corporation's other creditors if the corporation becomes insolvent and its assets are liquidated.

No aggregation with other accounts

This coverage is separate from any other accounts the insurance company or the annuitants may have at the same IDI.

III. Titling of accounts at an IDI

Typically annuity contract deposits are titled to reflect the relationship between the annuitant and the insurance company. For instance, an account titled as "ABC Insurance Co. Annuitants Account" is sufficient to establish the necessary relationship for deposit insurance purposes.

PUBLIC BOND ACCOUNTS [\(12 C.F.R. § 330.15\(c\)\)](#)

I. Definition

This category insures deposits held by an officer, agent or employee of a public unit under a law or bond indenture that requires the deposits to be set aside to discharge a debt owed to the holders of notes or bonds issued by the public unit.

II. Insurance Limit

Deposit insurance coverage for public bond accounts is up to \$250,000 for the beneficial interest of each bondholder. Bondholders will be insured up to \$250,000 for all bonds issued by the same issuer, regardless of whether there are different series involved. Identification of the account as a bond redemption account is sufficient for per bondholder coverage, provided each bondholder's interest is ascertainable.

No aggregation with other public unit deposits

Deposit insurance coverage under this ownership category is separate from the coverage for other deposits owned by the public unit at the same IDI.

III. Requirements

Pass-through deposit insurance coverage

In order to obtain per bondholder or pass-through coverage, the deposit account must satisfy certain disclosure requirements applicable to deposits held by agents or fiduciaries. Specifically, the deposit account records of the IDI must disclose the existence of the fiduciary relationship or the fiduciary nature of the deposit.

In addition, the details of the fiduciary relationship and the interests of the bondholders must be ascertainable from the records of the IDI or the records of the depositor maintained in good faith and in the regular course of business.⁵

⁵ See [\(12 C.F.R. § 330.5\(b\)\)](#).

CUSTODIAN ACCOUNTS FOR NATIVE AMERICANS⁶ [\(12 C.F.R. § 330.7\(e\)\)](#)

I. Definition

This category pertains to deposit accounts held by the Bureau of Indian Affairs (“BIA”) on behalf of Native Americans and deposited into an IDI.

See the earlier discussion of government accounts for details on the deposit insurance coverage that applies to accounts of Native American tribes. In addition, the personal deposits of Native Americans are insured like any other depositor’s personal accounts.

II. Insurance Limit

Under this category, the custodian accounts are insured up to \$250,000 for each Native American for whom the BIA is acting.

III. Requirements

The requirements for obtaining coverage in this category (\$250,000 for the interest of each Native American) are the following:

- The account records must indicate that the funds are held by the disbursing agent in an agency capacity.
- The disbursing agent must hold the funds pursuant to 25 U.S.C. § 162(a) or similar authority.
- For per Native American coverage, the Native American must have an ascertainable interest in the funds.

IV. No Aggregation with Other Accounts

In general, funds held by a fiduciary on behalf of the principal or the actual owner are combined with any other funds that the principal holds in the same ownership capacity at the same IDI. There is an exception for that general rule with respect to funds held under this category of ownership. Unlike other types of fiduciary accounts, deposits held by the BIA on behalf of a Native American are not aggregated with other deposits that the same Native American also may hold in the same ownership capacity at the same IDI.

⁶ The FDIC regulations use the term “American Indian” when referencing accounts of Native Americans.

➤ **Accounts Deposited by IDI Pursuant to the Bank Deposit
Financial Assistance Program of the Department of Energy**

**ACCOUNTS DEPOSITED BY AN IDI PURSUANT TO THE BANK DEPOSIT
FINANCIAL ASSISTANCE PROGRAM OF THE DEPARTMENT OF ENERGY
([12 U.S.C. §1817\(i\)\(3\)](#))**

I. Definition

This category consists of funds deposited by an IDI pursuant to the Bank Deposit Financial Assistance Program of the Department of Energy.

II. Insurance Limit

Separate deposit insurance is provided for up to \$250,000 for each IDI depositing the funds.

III. Requirements

Deposit insurance under this category is available per IDI provided that:

- a. The account records must indicate that the funds are held by the depositor in a custodial or special capacity or pursuant to the program.
- b. The depositor actually must hold the funds pursuant to the Bank Deposit Financial Assistance Program of the Department of Energy.

FIDUCIARY ACCOUNTS ([12 C.F.R § 330.5](#); [12 C.F.R. § 330.7](#))

I. Definition

Fiduciary accounts are deposit accounts established by a person or entity for the benefit of one or more other parties, also known as principals. The deposit account can be established for the benefit of a single owner or a commingled account may be established for the benefit of multiple owners. The individual or entity opening the account does not have an ownership interest in the deposit.

Fiduciary relationships include, but are not limited to, arrangements involving:

- a trustee
- an agent
- a nominee
- a custodian
- a guardian

II. Types of Fiduciary Accounts

Fiduciary accounts include but are not limited to the following:

- Uniform Transfers to Minors Act (“UTMA”) accounts or Uniform Gifts to Minors Act (“UGMA”) accounts
- Accounts with a power of attorney
- Decedent estate accounts
- Real estate and other escrow accounts
- Brokered deposits

Fiduciary accounts **are not** insured as a separate ownership category. The deposit insurance coverage for such accounts depends on the *actual ownership capacity* in which the principal or owner holds the funds. For example, ABC Brokerage Firm established a single account for Lisa Johnson at AnyTown Bank.

In this scenario, Lisa Johnson is the owner of the funds and her account would be added with any other single accounts she has at AnyTown Bank and insured as her single account for up to \$250,000.

In other words, assuming Lisa has other single ownership accounts at AnyTown Bank, she does not receive separate coverage simply because the brokerage firm opened one of the accounts. For a fiduciary account, assuming the requirements discussed below are met, coverage is provided as though the actual owner opened the account at the IDI.

III. Requirements for Fiduciary Accounts

Deposits held by a fiduciary on behalf of one or more principals are insured on a pass-through basis as the deposits of the principal (the actual owner) to the same extent as if the deposits were deposited directly by the principal, provided *all* of the following three requirements are met:

1. Funds must be in fact owned by the principal and not by 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:
 - a. The agreement between the third party establishing the account and the principal
 - b. The applicable state law
2. The IDI's account records must indicate the agency nature of the account (e.g., *XYZ Company as Custodian, XYZ For the benefit of (FBO), Jane Doe UTMA John Smith, Jr.*)
3. The records of the IDI, the fiduciary or a third party must indicate both the identities of the principals as well as the ownership interest in the deposit.

The first requirement above will not be satisfied if the purported agent or the custodian has entered into a debtor/creditor relationship with the purported owner as opposed to an agent/principal relationship. The creation of a debtor/creditor relationship may occur if the purported agent has changed the terms of the IDI's deposit contract, such as the terms relating to maturity dates or interest rates. For example, if a customer of a deposit broker is promised by the "agent" that he or she will earn 3% on his or her deposit when the IDI is paying only 2%, the "agent" would not be an agent but a debtor with an independent obligation to pay 3%.

In such a scenario, the deposits at the IDI would not be eligible for “pass-through” coverage to the customers. Rather, the deposits would be treated as corporate deposits belonging to the so-called “agent.”

The scenario above (in which the “agent” pays interest in excess of the interest paid by the IDI) should be contrasted with scenarios in which an agent retains part of the interest paid by the IDI as the agent’s fee. In the latter scenario, “pass-through” coverage is possible because the agent does not assume independent debt obligations. Of course, the agent should disclose the existence of all such fees to its customers.

IV. Requirements for Multi-Tier Fiduciary Accounts

Fiduciary accounts may involve multiple levels of relationships. For example, one agent may hold deposits as nominee for another agent who in turn holds the deposits as an agent for a third party, who in turn is an agent for a fourth party. For deposit accounts that involve multiple levels of fiduciary relationships, there are two ways to satisfy the FDIC's disclosure rules:

Option 1:

- a) Indicate on the deposit account records the existence of each and every level of the fiduciary relationship; and
- b) Identify, at each level, the name and interests of the entity on whose behalf the party at each level is acting.

Option 2:

- a) Indicate on the deposit account records that the depositor is acting in a fiduciary capacity on behalf of certain persons or entities who may, in turn, be acting in a fiduciary capacity for others; and
- b) Indicate the existence of additional levels of fiduciary relationships in records maintained in good faith and in the normal course of business by parties at subsequent levels; and
- c) Indicate at each of the levels the names and interests of the persons on whose behalf the party at that level is acting.

No person or entity in the chain of parties will be permitted to claim that they are acting in a fiduciary capacity for others unless the possible existence of such a relationship is revealed at some previous level in the chain.

V. Aggregation of Deposits

Agency accounts are not a separate ownership category. As detailed in this section, accounts held by a fiduciary, provided all the requirements are met, are insured based on the actual ownership of the funds. Therefore, fiduciary accounts are added to a depositor's other accounts in the same ownership category at the same IDI. The manner in which the funds are deposited, whether directly by the actual owner or through a custodian, agent or broker, does not impact aggregation. In other words, since fiduciary accounts are not a separate ownership category, deposit insurance coverage is determined based on the ownership capacity in which the funds are held. For example, if a fiduciary, such as a broker, has opened a single account on behalf of Barry Richards in XYZ Bank and Barry Richards directly opens another single account directly with XYZ Bank, both of these deposits are combined and insured for up to \$250,000.

VI. Failure to Meet Requirements

If the disclosure and the recordkeeping requirements discussed in this section are not met, the accounts will be insured as the deposits of the fiduciary in either the single account or corporate account category. These deposits will then be added to any other deposits the fiduciary may hold in the same ownership category at the same IDI, and the total will be insured up to \$250,000.

For more information on fiduciary accounts, including accounts opened by IDIs when acting in a fiduciary capacity, please review FDIC Financial Institution Letter FIL-29-2010, Guidance on Deposit Placement and Collection Activities. For more information on how the FDIC processes brokered deposits when an IDI fails, please refer to the [Broker Deposit Processing Guide](#).

MERGER OF IDIs

I. The Six-month Rule [\(12 C.F.R. § 330.4\)](#)

When the deposit accounts of one IDI are acquired by another IDI, the newly acquired deposits are separately insured from any accounts a depositor may already have at the acquiring IDI for an initial period of six months. This grace period is intended to give depositors an opportunity to restructure their accounts if the merger causes a depositor to have funds in excess of the insurance limits at the acquiring IDI.

If a depositor only held funds at one of the two IDIs that merged, this grace period would not apply, as the depositor's insurance coverage would be unaffected by the merger.

The grace period may be applied differently for time and non-time deposits.

II. Time Deposits

CDs acquired by an IDI are separately insured from pre-existing deposit accounts at the IDI, subject to the following rules:

1. Time deposits that mature after the six-month grace period remain separately insured until they mature.
2. Time deposits that mature within the first six months after the merger and are renewed for the same time period and the same dollar amount as the original deposit (with or without accrued interest added to the principal amount), will continue to be separately insured until the first maturity date after the expiration of the six-month period.
3. Time deposits that mature within the first six months after the merger and are renewed for a different dollar amount or a different time period (even if the acquiring IDI does not offer CDs for the original time period), or time deposits that mature within the first six months and are not renewed and thereby become regular savings or demand deposits, are separately insured only until the end of the six-month period.

Example 36**Facts:**

Acquiring Bank and Bank Sold merged on July 1, 2010. Before the merger, Michelle Young purchased:

1. a \$240,000 CD from Acquiring Bank on January 1, 2009. The CD has a four year term, and it matures on January 1, 2013; and
2. a \$230,000 CD from Bank Sold on October 1, 2009. The CD has a one year term, and it matures on October 1, 2010.

Three months after the merger, on October 1, 2010, Michelle Young renewed her Bank Sold CD for another one-year term until October 1, 2011. Michelle rolled over her original \$230,000 principal. Assume accrued interest for both CDs is mailed monthly.

How are these CDs insured?

Example 36: Insurance of CDs after the Merger of Two IDIs					
	2009	2010	2011	2012	
Acquiring Bank	\$240,000 CD				
Bank Sold		\$230,000 CD			

Rule:

(a) When two or more IDIs merge, deposits from the assumed IDI (in this example, Bank Sold) are separately insured from deposits at the assuming IDI (in this example, Acquiring Bank) for at least six months after the merger. This grace period gives a depositor the opportunity to restructure his or her accounts, if necessary.

(b) CDs from the assumed IDI are separately insured until the earliest maturity date after the end of the six-month grace period.

➤ **Merger of IDIs**

(c) CDs that mature during the six-month period and are renewed for the same term and in the same dollar amount (either with or without accrued interest) continue to be separately insured until the first maturity date after the six-month period.

(d) If a CD matures during the six-month grace period and is renewed on any other basis, it would be separately insured only until the end of the six-month grace period.

Answer:

Acquiring Bank and Bank Sold merged on July 1, 2010. Before the merger, Michelle Young purchased a \$240,000 CD from Acquiring Bank on January 1, 2009. The CD has a four-year term, and it matures on January 1, 2013. She also purchased a \$230,000 CD from Bank Sold on October 1, 2009. The CD has a one-year term, and it matures on October 1, 2010. At the time of the merger, Michelle Young has a \$240,000 CD from Acquiring Bank and a \$230,000 CD from Bank Sold.

Given that the IDIs merged on July 1, 2010, the initial six-month period extended through December 31, 2010.

	2009	2010		2011	2012
Acquiring Bank			\$240,000 CD		
Bank Sold		\$230,000 CD			
6 Month Grace Period			Grace Period		

By 2010, Michelle Young has a \$240,000 CD from Acquiring Bank and a \$230,000 CD from Bank Sold.

The IDIs merge on July 1, 2010; the six month grace period extends to Dec. 31, 2010.

➤ **Merger of IDIs**

During the grace period, Michelle Young renewed her Bank Sold CD with the same terms so her two CDs continued to be insured separately until her Bank Sold CD matured on October 1, 2011.

As a result, her two deposits totaling \$470,000 were fully insured until October 1, 2011.

	2009	2010		2011	2012
Acquiring Bank			\$240,000 CD		
Bank Sold		\$230,000 CD		\$230,000 CD	
6 Month Grace Period			Grace Period		
Combined Deposit			\$470,000 CD		

By 2010, Michelle has a \$240,000 CD from Acquiring Bank and a \$230,000 CD from Bank Sold. The IDIs merge on July 1, 2010.

The six-month grace period extends to December 31, 2010.

During the grace period, Michelle renewed her Bank Sold CD with the same terms, therefore, her two CDs continued to be insured separately until her Bank Sold CD matured on October 1, 2011.

As a result, her combined deposit of \$470,000 is fully insured until October 1, 2011.

➤ Merger of IDIs

However, after October 1, 2011, a combined deposit of \$470,000 would exceed the \$250,000 insurance limit by \$220,000.

Therefore, Michelle must withdraw at least \$220,000 to avoid potentially uninsured funds.

	2009	2010	2011	2012
Acquiring Bank			\$240,000 CD	
Bank Sold		\$230,000 CD	\$230,000 CD	(\$220,000)
6 Month Grace Period			Grace Period	
Combined Deposit			\$470,000 CD	\$470,000
				\$220,000

No six-month grace period for depositors that merge

The merger of business entities or government entities is not covered by the six-month grace period rule. The grace period does not apply to the deposits of two or more business entities that may merge. It also does not apply to the merger or combination of governmental entities. For example, if two corporations merge, and both entities were depositors in the same IDI, those accounts are not treated separately but are immediately aggregated as of the date that the businesses merge.

DEATH OF AN ACCOUNT OWNER ([12 C.F.R. § 330.3\(j\)](#))

The death of an account owner can affect insurance coverage. Often the effect is to reduce the amount of insurance coverage that applies to a family's accounts. For this reason, it is important to encourage depositors to review the deposit insurance coverage available for their accounts whenever an account owner dies.

To ensure that families dealing with the death of a family member have adequate time to review and restructure their accounts if necessary, the FDIC will insure the deceased owner's accounts as if he or she were still alive for six months after his or her death. During this grace period, the insurance coverage of the deposit owner's accounts will not change unless the accounts are restructured (i.e., retitled or replaced to reflect the change in ownership of the deposit funds) by those authorized to do so. The FDIC will not apply the grace period in the rare event that the application of the grace period would cause a reduction in the amount of deposit insurance coverage. Also, there is no grace period upon the death of a beneficiary of a deposit account and, therefore, there may be an immediate reduction of deposit insurance coverage.

Example 37

Facts:

John and Susan Bailey have a jointly held MMDA for \$500,000 at Any Bank. Assume the owners meet the requirements for a joint account. At the same IDI, Susan also has a \$100,000 CD in her name alone. Susan's husband John dies. What is the deposit insurance coverage for these accounts?

Rule:

- (a) Upon the death of an accountholder, the FDIC will insure the deceased owner's accounts as if he or she were still alive for six months after his or her death.
- (b) After the lapse of the six-month grace period, the deposit insurance coverage of the account will depend on the ownership category in which the accounts are now held.

Answer:

While both owners are alive, the joint account is insured for up to \$500,000 and Susan's single account is insured separately up to \$250,000.

For six months after John's death, the deposit insurance coverage is calculated as if John is alive and both deposits remain fully insured.

The purpose of the six-month rule is to allow the surviving owner the opportunity to restructure a deposit if necessary to ensure that all funds remain fully insured. If the IDI should fail after the six-month grace period expires and assuming Susan has not restructured these accounts, then the total of \$600,000 would be treated as Susan's single accounts with \$250,000 insured and \$350,000 uninsured.

Example 37:**Death of an account owner**

Account Title	Owners	Deposit Type	Account Balance
John and Susan Bailey	John and Susan Bailey	MMDA	\$500,000
Susan Bailey	Susan Bailey	CD	\$100,000
Total			\$600,000

For additional information on the impact on deposit insurance coverage following the death of an owner or a beneficiary, review the examples in the single, joint and revocable trust accounts sections of this *Employee's Guide*.

DEPOSIT INSURANCE COVERAGE RESOURCES

Informational resources on deposit insurance coverage are described below. These resources can be found on the FDIC's website at: www.fdic.gov/deposit. **The FDIC provides these resources free of charge to consumers and IDI employees.**

FDIC Deposit Insurance Brochures and Guides

- [**Deposit Insurance at a Glance**](#), available in English and Spanish, is a tri-page brochure that provides basic information on the common ownership categories of insurance coverage, including single accounts, certain retirement accounts, joint accounts and revocable trust accounts.
- [**Your Insured Deposits**](#), available in English, Spanish, Korean, Vietnamese, Tagalog and Chinese (traditional and simplified), explains the nine most common deposit insurance categories. It is especially useful for large depositors, those with unusual deposit insurance requirements, and IDI employees who are assisting depositors with deposit insurance questions. This brochure (English and Spanish versions) also is available in a large print version (8.5" x 11") and printed on 18-point font type.
- [**Deposit Insurance Training for Bankers**](#) is a user-friendly, self-paced computer-based training tool with built-in learning examples to assist bankers in understanding the basics of deposit insurance coverage. The training takes an average of 45 minutes to complete and is offered in English and Spanish. It is available on the FDIC's website, on DVD and as a PDF.

FDIC YouTube Videos

The FDIC has three seminars on YouTube that cover various deposit insurance topics.

[Fundamentals of Deposit Insurance](#)

This seminar provides an overview of the rules for determining coverage for the nine most common account ownership categories. It is an excellent resource to use as a refresher on the foundations of deposit insurance.

[Deposit Insurance Coverage for Revocable Trust Accounts](#)

This seminar focuses exclusively on revocable trust accounts and covers complex scenarios including in-depth examples for revocable trust accounts with more than \$1,250,000 in deposits and six or more beneficiaries receiving unequal interests.

[Advanced Topics in Deposit Insurance Coverage](#)

This seminar includes government accounts, mortgage servicing accounts, IDI mergers and pass-through deposit insurance coverage, as well as other deposit insurance topics.

[Electronic Deposit Insurance Estimator \(EDIE\)](#)

EDIE is a tool that assists IDI employees and consumers in calculating deposit insurance coverage. The calculator is ideal for analyzing actual deposits established or hypothetical examples that depositors or IDI employees may wish to explore for the amount of FDIC deposit insurance coverage that may be available. Please note that no personally identifiable information is necessary to access EDIE's calculations. After the user enters the account information, EDIE generates a printable report clearly showing the amount of insurance coverage for the user's accounts. EDIE can be used to calculate the insurance coverage of single, certain retirement, joint, revocable or living trust/ITF/POD, government and business accounts. For irrevocable trust accounts, depositors and IDI employees should contact the FDIC at 1-877-275-3342 to discuss their specific situations.

For More Information from the FDIC

Call toll-free at:

1-877-ASK-FDIC (1-877-275-3342)

Hours of operation:

Monday – Friday

8:00 a.m. – 8:00 p.m. Eastern Time

Saturday – Sunday

9:00 a.m. – 5:00 p.m. Eastern Time

(Excluding Federal Holidays)

Hearing Impaired Line:

1-800-925-4618

Read more about FDIC insurance online at:

www.fdic.gov/deposit

Order FDIC deposit insurance products online at:

<https://catalog.fdic.gov/>

Send questions by email using the FDIC's online

Customer Assistance Form at:

www2.fdic.gov/starsmail

Mail questions to:

FDIC

Deposit Insurance Outreach

550 17th Street, NW

Washington, DC 20429-9990

Note: The FDIC recommends that if you have questions about revocable or irrevocable trusts you may wish to call the FDIC at the toll-free number above and ask to speak with a deposit insurance specialist. A deposit insurance subject matter expert can assist the caller in collecting the pertinent information in calculating the amount of deposit insurance coverage that may be available.