

# Recent Changes to the FDIC Insurance Rules

## FDIC Insurance - update

### FDIC: Insurance Coverage to \$250,000 - Now Permanent

The FDIC reminded bankers yesterday that the Dodd-Frank Act permanently raises the current standard maximum deposit insurance amount to \$250,000. That coverage limit applies per depositor, per insured depository institution for each account ownership category, the agency said. The standard maximum insurance amount of \$100,000 had been temporarily raised to \$250,000 until Dec. 31, 2013.

Western Bank is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under the Transaction Account Guarantee Program is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules. NOW (negotiable order of withdrawal) accounts with low interest rates (paying no higher than 0.50%) and Interest on Lawyers Trust Accounts (IOLTA's) are considered non-interest bearing accounts: therefore, they are eligible for this program.

Beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing transaction accounts will be fully insured, regardless of the amount in the account, at all FDIC-insured institutions.

### New Basic FDIC Deposit Insurance Limits for Common Ownership Types\*

Single Accounts (owned by one person)	\$250,000 per owner
Joint Accounts (two or more persons)	\$250,000 per co-owner
IRAs and other certain retirement accounts	\$250,000 per owner
Revocable Trust (ITF/POD) Accounts	\$250,000 per owner per beneficiary subject to specific limitations and requirements
Corporation/Partnership/Organization Accounts	\$250,000

*\*For information on the requirements for these ownership categories, click on the FDIC Info section of EDIE*

**Note:** Insurance coverage for certain retirement accounts, which include all IRA deposit accounts, was increased permanently to \$250,000 per depositor in 2006; therefore, these accounts will continue to be insured to \$250,000 per depositor after December 31, 2013.

### New FDIC Rules for Revocable Trust Deposits

The FDIC has adopted new rules that simplify how revocable trust deposits are insured. The new rules, which became effective on September 26, 2008, ensure that a revocable trust owner has at least as much coverage as he or she had under the former revocable trust account rules. The new rules change the calculation of coverage for revocable trust deposits in two significant ways:

First, the new rules provide that the owner of a revocable trust deposit is eligible to receive per-beneficiary coverage for any beneficiary named in the revocable trust, as long as the beneficiary is an individual, a charity or another nonprofit organization (recognized as such in the Internal Revenue Code).

Second, the new rules provide for a streamlined method of calculating insurance coverage depending on the number of beneficiaries who are entitled to receive the deposits when the trust owner (or owners) dies. Specifically, the rules provide that:

- *For Revocable Trusts with Five or Fewer Beneficiaries:* All revocable trust deposits belonging to one trust owner are insured up to \$250,000 times the number of beneficiaries. For example, if a revocable trust owner has one beneficiary, his or her maximum coverage is \$250,000 for all trust deposits at the same insured bank. If a revocable trust owner has five beneficiaries, his or her maximum coverage is \$1,250,000 for all trust deposits at the same insured bank.
- *For Revocable Trusts with Six or More Beneficiaries:* All revocable trust deposits belonging to one trust owner are insured to the **greater** of either \$1,250,000 or the aggregate amount of all the beneficiaries' actual proportional interests in the revocable trust(s), up to a maximum of \$250,000 per beneficiary.