Deposit Insurance Coverage Frequently Asked Questions

Common Questions and Answers

1. **What is the FDIC?**
The FDIC - short for the Federal Deposit Insurance Corporation - is an independent agency of the United States government. The FDIC was created by Congress in 1933 to make the savings of millions of Americans secure. The FDIC protects depositors against the loss of their insured deposits if an FDIC-insured bank or savings association fails. FDIC insurance is backed by the full faith and credit of the United States government.

2. **What is the Purpose of FDIC Deposit Insurance?**
The FDIC protects depositors' funds in the unlikely event of the financial failure of their bank or savings institution. FDIC deposit insurance covers the balance of each depositor's account, dollar-for-dollar, up to the insurance limit, including principal and any accrued interest through the date of the insured bank's closing.

3. **What is the FDIC insurance amount?**
The basic insurance amount is $100,000 per depositor, per insured bank. This includes principal and accrued interest up to a total of $100,000. For example: Jane Smith has a CD in her name alone with an original balance of $98,000. Jane has interest earned of $ 3,000. Jane's account now totals $101,000. But, Jane is only insured up to $100,000 and $1,000 is uninsured.

4. **Whose deposits does the FDIC insure?**
Any person or entity can have FDIC insurance on a deposit. A depositor does not have to be a citizen, or even a resident of the United States.

5. **Does FDIC insurance protect creditors and shareholders?**
FDIC insurance only protects depositors, although some depositors may also be creditors or shareholders of an insured bank.

6. **What does FDIC insure?**
FDIC insures all types of deposits received by a financial institution in its usual course of business. For example, savings and checking accounts, NOW accounts, Christmas club accounts, and time deposits (including certificates of deposit, "CDs") are all subject to FDIC insurance coverage. Cashiers' checks, officers' checks, expense checks, loan disbursement checks, interest checks, outstanding drafts, negotiable instruments and money orders drawn on the institution are also considered deposits, and so are also protected by FDIC. Collectively, these types of instruments are referred to as "official checks." For example, a cashier's check is a type of official check.

   Certified checks, letters of credit, and travelers' checks, for which an insured depository institution is primarily liable, also are insured when issued in exchange for money or its equivalent, or for a charge against a deposit account.

7. **What is not insured by the FDIC?**
The FDIC does **not** insure the money individuals invest in stocks, bonds, municipal bonds, or other securities; mutual funds, (including money market mutual funds, and mutual funds

that invest in stocks, bonds and other securities); annuities (which are contracts underwritten by insurance companies that guarantee income in exchange for a lump sum or periodic payment); or insurance products such as automobile and life insurance even if these products were purchased at an insured bank or through an affiliated broker/dealer/insurance agent that is offering these products on behalf of a bank.

The FDIC does not insure U.S. Treasury bills, bonds, or notes, but these are backed by the full faith and credit of the U.S. Government.

Also, the FDIC insurance doesn't cover valuables in safe deposit boxes. These contents, however, may be covered either by the bank's private insurance or the box holder's personal homeowner's insurance.

Furthermore, the FDIC does not insure against loss of funds due to robberies and other thefts. Stolen funds may be covered by what's called a bank's Hazard and Casualty insurance, which is a policy a bank purchases to protect itself from fire, flood, earthquake, robbery, and physical damage. In those rare instances where a bank employee may tamper with a customer's account, the bank's blanket bond insurance (also called fidelity bonds) may cover the loss and the funds would be returned to the customer. Consumer protection laws such as the Electronic Funds Transfer Act offer protections if a third party somehow gains access to a customer's account.

8. **What types of financial institutions are insured by the FDIC?**
   The FDIC insures deposits in most, but not all, banks and savings associations. All FDIC-insured institutions must display an official sign at each teller window or teller station.

9. **Can insurance coverage be increased by depositing funds with different insured banks?**
   Deposits with each FDIC-insured bank are insured separately from any deposits held at another insured bank. If an insured bank has branch offices, the main office and all branch offices are considered one insured bank. A depositor cannot increase insurance coverage by placing deposits at different branches of the same insured bank. Similarly, deposits held with the Internet division of an insured bank are considered the same as funds deposited with the "brick and mortar" part of the bank, even if the Internet division uses a different name. Financial institutions that may be owned by the same holding company, but that are separately chartered, are separately insured. Separately chartered banks have different FDIC Certificate numbers.

10. **Can insurance coverage be increased by dividing my deposits into several different accounts at the same insured bank?**
    Deposit insurance coverage can be increased only if the accounts are held in different categories of ownership. These categories include the four most common consumer ownership categories: single accounts, self-directed retirement accounts, joint accounts, and revocable trust accounts; and the less common ownership categories: irrevocable trust accounts, employee benefit plan accounts, corporation, partnership and unincorporated association accounts, and public unit accounts.

11. **Can insurance coverage be increased by using a different co-owner's Social Security number on each account or changing the way the owners' names are listed on the accounts?**
    Using different Social Security numbers, rearranging the order of names listed on accounts or substituting "and" for "or" in joint account titles does not affect the amount of insurance coverage available to account owners.

12. **Can insurance coverage be increased by dividing my funds and depositing them into several different accounts?**
    Federal deposit insurance is not determined on a per-account basis. A depositor cannot increase FDIC insurance by dividing funds owned in the same ownership category among different accounts. The type of deposit instrument - whether checking, savings, or CD - has no bearing on the amount of insurance coverage.

13. **How does the FDIC determine ownership of funds?**
    The FDIC relies on the "deposit account records" of the insured depository institution to determine how funds are insured. The FDIC may request supplemental documentation such as articles of incorporation, copies of a trust, and affidavits to identify relationships between owners and beneficiaries. These documents may be used by the FDIC to confirm that the funds are actually owned in the manner indicated in the bank's account records and to determine whether the account qualifies for insurance coverage.

14. **What are "deposit account records?"**
    The "deposit account records" of an insured depository institution are account ledgers, signature cards, certificates of deposit, passbooks, and certain computer records. However, account statements, deposit slips, items deposited, and cancelled checks are not considered deposit account records for purposes of calculating deposit insurance.

15. **What is the deposit insurance coverage after a depositor dies?**
    The FDIC will insure a deceased person's accounts as if he or she were still alive for six months after the death of a deposit owner. During this "grace period," the insurance coverage of the deposit owner's accounts will not change unless the accounts are restructured by those authorized to do so. The FDIC applies the grace period only if its application would increase, rather than decrease, deposit insurance coverage.

    For example: A and B own a qualifying joint account of $100,000 for which they each have a right of survivorship. B also has a single (or individual) account of $100,000 at the same FDIC-insured institution. If A dies, for six months after A's death the FDIC will still insure the A and B account as a joint account, even though B, as A's survivor, has inherited A's ownership interest in the account. After the grace period, B's increased ownership interest in the joint account would be added to his or her single account and insured to a limit of $100,000.

16. **What happens when banks merge?**
    If an account owner has deposits in Bank A and Bank B and Bank A merges into Bank B, deposits of Bank A continue to be insured separately from the deposits of Bank B for at least six months after the date of the merger. CD's from Bank A, the assumed bank, are separately insured until the earliest maturity date after the end of the six month grace period.

17. **What happens when a bank fails?**
    The FDIC would either transfer the insured depositor's account to another FDIC insured bank, or give the insured depositor a check equal to their account balance. This includes the principal and interest accrued through the date of the bank's closing, up to the insurance limit.

18. **If a bank fails, what is the timeframe for payout of the funds that are insured if the bank cannot be acquired by another financial institution?**
    Federal law requires the FDIC to make payments of insured deposits "as soon as possible" upon the failure of an insured institution. While every bank failure is unique, there are

standard policies and procedures that the FDIC follows in making deposit insurance payments. It is the FDIC's goal to make deposit insurance payments within one business day of the failure of the insured institution. Typically, a bank that has failed will be closed on a Friday. The FDIC will then work the weekend to complete deposit insurance determinations for most deposits and be prepared on Monday to either transfer the insured portion of a deposit to another FDIC insured institution or provide deposit insurance payment checks. (Note: Some deposits that require supplemental documentation from the depositors, such as accounts linked to a living trust agreement or funds placed by a deposit broker, may take a little longer. The timing of the completion of the deposit insurance determination is based solely on the depositor providing the documentation needed by the FDIC to determine insurance coverage.)

19. **What happens to customers with uninsured deposits?**
Customers who have uninsured deposits may recover a portion of their uninsured funds, but there is no guarantee that they will recover any more than the insured amount. The amount of uninsured funds they may receive, if any, is based on the sale of the failed bank's assets. Depending on the quality and value of these assets, it may take several years to sell all the assets. As assets are sold, uninsured depositors receive periodic payment on their uninsured deposit claim.

20. **What happens to my direct deposits when a bank fails?**
If a failed bank is acquired by another bank, all direct deposits, including Social Security checks or paychecks delivered electronically, will be automatically deposited into their account at the assuming bank. If the FDIC cannot find an acquirer for the failed bank, the FDIC will attempt to arrange with another local bank to temporarily process any direct deposits. This will allow the depositor time to make new arrangements for direct deposits as well as automatic withdrawals (such as automatic payments to utilities or insurance companies) with another bank.

21. **How can I access my safe deposit box when a bank fails?**
If the FDIC finds a new owner for a bank where the customer has a safe deposit box, the customer will be able to conduct business as usual. If the FDIC cannot find a buyer for the failed bank, we will mail instructions to the customer that will explain how the customer can remove the contents in their box.

22. **What happens to loans a depositor has at the failed bank?**
The customer remains liable for any payments due on a loan or credit card. The customer would continue making payments as they did before the bank failed until they are instructed to do otherwise in writing by the acquiring bank or the FDIC.

If a depositor's bank fails and the depositor has both a loan and uninsured deposits at the bank, the depositor may "set off" (deduct) the loan balance from the uninsured balance. The depositor may only deduct the loan balance against the uninsured balance if the loan and the deposit are titled exactly the same. As an example, if the depositor has a loan in their name only and a deposit that is owned jointly with another person, then the right of set off does not exist.

23. **How can I access the FDIC's deposit insurance products?**
Go to www.fdic.gov and click on **Deposit Insurance** in the upper left-hand corner, then scroll down and click on Are My Deposits Insured? You will now be at the web page that contains all of the FDIC's deposit insurance resource materials. All of our deposit insurance products are free. The best way to obtain free copies of all these resources is through our online order form . Go to www2.fdic.gov/depositinsuranceregister. Here you can place small or large orders for all deposit insurance products. Fill in the required information, select the

number of copies, and press the "Submit Order" button. Please allow four to six weeks for shipping. You can also contact the FDIC Call Center toll-free at **1-877-275-3342** and request copies.

Last Updated 05/22/2006