NBA Nebraska Bankers Association

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Update

COMPLIANCE

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FDIC – DEPOSIT INSURANCE SIMPLIFICATION – TRUST DEPOSITS

I. INTRODUCTION

The Federal Deposit Insurance Corporation (FDIC) approved a final rule to simplify aspects of the agency's deposit insurance coverage rules. The final rule simplifies deposit insurance coverage for deposits held in connection with revocable and irrevocable trusts by merging these two deposit insurance categories and applying a simpler, common calculation to determine coverage.

The final rule will make the trust rules consistent and easier to understand for bankers and depositors and to facilitate prompt payment of deposit insurance by the FDIC in the event of the insured depository institution's failure.

Additionally, the final rule amends the rule that governs coverage for mortgage servicing accounts to allow principal and interest funds advanced by a mortgage servicer to be included in the deposit insurance calculation. The rule became effective on April 1, 2024, allowing depositories and insured depository institutions almost two years to prepare for the changes in coverage.

II. TRUST ACCOUNTS

Under the final rule, a deposit owner's trust deposits will be insured in an amount up to $250,000 for each of the trust beneficiaries, not to exceed five, regardless of whether a trust is revocable or irrevocable, and regardless of contingencies or the allocation of funds among the beneficiaries. This will result in a maximum amount of deposit insurance coverage of $1,250,000 per owner, per insured depository institution for trust deposits.

III. MORTGAGE SERVICING ACCOUNT DEPOSITS

The deposit insurance rules for mortgage servicing accounts comprised of principal and interest funds currently provide coverage based on each mortgagor's payments of principal and interest into the mortgage servicing account, up to $250,000 per mortgagor. Some servicers advance their own funds to the lenders on behalf of borrowers. Under the current rule, such advances are not provided the same level of deposit insurance coverage as other deposits in a mortgage servicing account comprised of principal and interest payments directly from the mortgagors. Under the final rule, servicers' advances of principal and interest funds on behalf of mortgagors would be insured up to $250,000 per mortgagor, consistent with the coverage for payments of principal and interest collected directly from mortgagors.