



FDIC Insurance Information

In response to questions from members, NAR has created the below Q&A to provide basic information about FDIC insurance for bank deposits. For more information, click [here](#) to visit the FDIC's website.

What is the FDIC?

The Federal Deposit Insurance Corporation ("FDIC") is an independent agency of the federal government that protects against the loss of FDIC-insured deposits. The FDIC insures banks chartered by the United States government and most state banks. FDIC-insured banks are required to display an official FDIC sign where deposits are received. The FDIC's website also has information to help consumers find out whether a specific bank or savings association is FDIC-insured.

What accounts does the FDIC protect and for how much?

The FDIC insurance protects deposits at an insured bank, up to the limit. Historically, the limit was \$100,000, but Congress has temporarily increased the limit to \$250,000. The \$250,000 limit will expire on December 31, 2009, unless Congress enacts new legislation.

The insurance covers accounts with deposits like checking, savings, IRAs, money market deposit accounts, and certificates of deposits. The insurance does not cover investments like stocks, bonds, mutual funds, life insurance, or annuities. The insurance also does not apply to credit unions, although there is a separate federal insurance program for credit unions.

The insurance limits apply to all protected accounts within a single institution. All of an individual's eligible accounts are added together and are only covered up to the limit. So, if you have three eligible accounts within the same bank containing \$100,000 each, currently \$50,000 would not be protected by the insurance. A "bank" includes all of the bank's subsidiaries and branches for the purposes of determining the aggregate limit for an individual.

How does the insurance apply to escrow accounts?

Escrow accounts are fiduciary accounts and are protected by the FDIC insurance. A "fiduciary account" is an account containing funds deposited by a fiduciary (i.e., real estate professional) on behalf of one or more principals (i.e., client(s)), and these accounts are insured to the same extent as if the funds were deposited by the principals. If the fiduciary account is properly setup by the real estate professional, the deposits in the escrow account will count against the limits of each principal, not the real estate professional. Below is an illustrative example that was approved by an attorney at the FDIC:

The Broker has an escrow account (properly setup as a fiduciary account) at the Bank (FDIC-insured). The Broker deposits all earnest money received on behalf of his clients, A and B, into the escrow account. The Broker also maintains all of his personal accounts at the Bank. The Broker's personal accounts total \$225,000, while he has \$50,000 in his escrow account. The Broker has deposited \$25,000 for both A and B into the escrow account. Client A has accounts at the Bank totaling \$250,000 in aggregate, while Client B does not have any accounts at the Bank but does have accounts at other banks exceeding \$250,000. If the Bank went into receivership (prior to 12/31/09), then:

1. All of the Broker's personal accounts would be fully insured, since the escrow account (a fiduciary account) does not apply to his personal account totals;
2. Client B's \$25,000 in the escrow account would be fully insured because she does not have any other money deposited at the Bank; and

3. Client A would have \$25,000 of her deposits at the Bank not protected by FDIC insurance, since her total deposits at the Bank exceed the \$250,000 limit.

What are the requirements for setting up a “fiduciary account”?

The FDIC website states that a properly setup fiduciary account must have the following arrangements:

- (1) the fiduciary nature of the account must be disclosed in the account title; and
- (2) the identities and interests of the principals for whom the fiduciary is acting must be ascertainable from either the deposit account records of the bank, or records maintained in good faith and in the regular course of business by the depositor or by some person or entity that had undertaken to maintain such records for the depositor.

There are also additional steps for setting up “multi-tier fiduciary accounts”, which are accounts involving multiple agents making deposits on behalf of a principal.

How do the limits work when personal and business accounts are held by the same bank?

As stated above, all of an individual's personal accounts are aggregated to determine the limit for an individual. If an individual also operates a business that maintains accounts at the bank, the business accounts will be separately insured up to the applicable limit, so long as the business is a separate and distinct legal entity. So, if the business is a separate legal entity like a corporation or partnership, then the accounts will be insured separately from an individual's account and subject to their own limit. In addition, subsidiaries of the business that are separate and distinct entities will also have separate deposit insurance for their bank accounts. Unincorporated associations that are a distinct legal entity will also have separate deposit insurance limits. However, an individual who maintains personal accounts as well as accounts for an unincorporated sole proprietorship at the same bank will have both his/her individual accounts and business accounts combined to determine the FDIC insurance coverage limit.

It is important to note that businesses and corporations will still have their accounts aggregated in the same manner as an individual for FDIC insurance purposes. So, a homeowner's association that maintains two accounts (one for operational expenses, the other for reserves) will have both accounts combined for FDIC insurance. It will not matter that the accounts are designated for separate purposes.

How does the insurance apply to accounts with multiple owners?

Joint accounts, or deposits owned by two or more individuals, have separate insurance limits for each co-owner's share of the account so long as certain requirements are met. These requirements are: (1) all co-owners must be people, not artificial legal entities like a corporation; (2) all co-owners must have equal rights to withdraw deposits from the account; and (3) all co-owners must sign the deposit signature card. The FDIC will assume the co-owners shares are all equal, unless the deposit record indicates otherwise. So, if two individuals maintain a joint checking account containing \$10,000, \$5,000 will be separately attributed to each individual for purposes of determining the FDIC insurance limit.

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