# THE OLYMPICS AND FDIC INSURANCE

by Steve Brown

Yesterday, we discussed an experience we had at a bank over the weekend. It related to confusion over FDIC insurance. We quizzed the teller in question for saying a married couple could have FDIC insurance for up to $200k in a single account. That, in turn, resulted in us being mercilessly questioned by our readers. What we should have stated more clearly was not that she wasn't correct, but rather that she was guessing. Not only did she not know, instead of confirming to be sure, she gave us a business card of someone who wasn't even around and left the onus on us to find out. While we admit it is certainly possible to insure $200k in a joint account, exactly how that account is titled is obviously the critical issue.

Now that we have cleared that up, we turn back to the Olympic theme and dive back in to better understand FDIC insurance coverage. Understanding the nuances is like nailing a double-reverse pike without making a splash, so you might also be interested in reading the FDIC's Guide to Deposit Insurance Coverage (www.fdic.gov/deposit/deposits/insured/index.html). This publication provides information in a non-technical way to help everyone better understand the limits of FDIC insurance.

One of the easiest ways to think about which accounts are insured begins by stepping into the shoes of the FDIC. In so doing, we find the FDIC categorizes account ownership into 8 major groups of single, retirement, joint, revocable trust, irrevocable trust, employee benefit plan, corporation (which includes partnership/unincorporated associations) & government.

Let's begin by breaking down some of the more common account ownership categories and begin with single accounts. These accounts are deposits owned by one person held in that person's name alone. These can include accounts held in the name of a sole proprietorship, as well as those established as guardian, custodian or conservator. When calculating insurance on these accounts, the FDIC adds up all of the accounts together and insures the total for $100k. For example, if a customer has 3 accounts at your bank each holding $50k and also has an account for their sole proprietorship business for $50k, the deposits in all of these accounts would be added together. In this case, the FDIC would insure $100k and the remaining $100k would not be insured.

Joint accounts can get tricky at times. To clarify, a joint account is a deposit owned by 2 or more people. To qualify as a joint account, all co-owners must be people. Legal entities such as corporations, trusts, estates or partnerships are not eligible for joint account coverage. To qualify, all co-owners must also have equal rights to withdraw funds from the account and must sign the signature card unless the account is a CD or established by a guardian, custodian, executor, etc. All of these requirements must be met for each co-owner's share to be insured up to $100k. For example, a husband and wife could have up to $200k in one joint account and the deposits would be fully insured if all of the rules were followed. It is important to note, however, that joint account coverage is not increased by rearranging the owners' names, changing the styling of the names or playing fancy games by alternating the use of "or," "and," to separate the names. It is also important to know that using different Social Security numbers on multiple accounts held by the same co-owners will not increase insurance coverage. Again, it all gets down to how the account is titled and its underlying structure.

Tomorrow we will delve into corporate and business account structures, as we continue to zero in more on exactly how to keep your customers insured. In the meantime, we suggest bankers might want to break out the poster board and a black felt tip pen and post the following information around the branch: FDIC insurance hotline (open 8am to 8pm ET) 1-877-275-3342 (1-877-ASK-FDIC) and "EDIE," the online Electronic Deposit Insurance Estimator (www.fdic.gov/edie).

The growing importance of FDIC insurance in building and retaining deposits is critical these days in order to move your team to the 10 meter board.

## BANK NEWS

**New Fed Gov**

Former COO of TowneBank ($2.7B, VA) and ABA chair Elizabeth Duke was sworn in as a Fed Governor today ahead of the FOMC meeting (and will be voting).

**FDIC Warning**

In June, the FDIC issued C&D orders to 4 banks for insufficient capital and a 5th warning to a GA bank for violating consumer protection laws. The banks were instructed to increase loss allowances, raise capital and improve management and diversification of loan portfolios.

**Robbery Stats**

FBI statistics show a slight increase in bank robberies in the 4Q of 2007 from 1,530 to 1,561. Additional findings: 92% of the time the robbery netted something of value; the average take was $14,629 (of this amount, an average of $7,303 is usually recovered); most robberies occur on Tuesdays between the hours of 9am and 11am; the next most active time is Friday between 3pm and 6pm. On the good news front, violence only occurred in 3.4% of the cases.