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Deposit Insurance Limits and Trusts and Mortgage Servicing



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The FDIC released a “[Small Entity Compliance Guide](#)” that provides a summary of its final rule allowing for the “[simplification of deposit insurance](#),” which takes effect on April 1, 2024.

The Compliance Guide provides an overview of how the final rule, which will be published as 12 C.F.R. §330, affects the coverage rules for trusts (revocable and irrevocable), as well as for mortgage servicing accounts. In any case other than when an insured depository institution (“IDI”) is the trustee, all trusts, regardless of their revocability status, will be subject to the same set of deposit insurance rules, and eligible beneficiaries will include natural persons, charitable organizations and non-profit entities. Going forward, all trusts are subject to the calculation that has applied to revocable trust accounts with five or fewer beneficiaries since 2008, which effectively allows for deposit insurance up to \$1,250,000 for a single trust that has five or more beneficiaries, regardless of the allocation of funds to beneficiaries within the trust. If the trust has fewer than five beneficiaries, then the total amount of deposit insurance available is the standard maximum deposit insurance amount (“SMDIA”), which is currently \$250,000, times the total number of beneficiaries, again, regardless of the allocation of funds to the beneficiaries within the trust. For mortgage servicing accounts, the amount of per-borrower coverage, up to the SMDIA, includes “any funds paid into the account to satisfy the principal and interest obligation of the mortgagors to the lender, regardless of the origin of the funds.” This change provides consistent treatment for all mortgage servicing account balances held to satisfy the principal and interest obligations to a lender.

Depository institutions are not required to reach out to their depositors ahead of the changes in April 2024, but the Compliance Guide provides suggestions regarding how banks might consider identifying affected accounts nonetheless.
